

SAN BERNARDINO COUNTY BOARD OF SUPERVISORS



Bill Postmus
Chairman
1st District



Paul Biane
Vice Chairman
2nd District



Dennis Hansberger
3rd District



Gary Ovitt
4th District



Josie Gonzales
5th District

County Administrative Officer
Mark Uffer

COUNTY MISSION STATEMENT

The mission of the government of the County of San Bernardino is to satisfy its customers by providing service that promotes the health, safety, well being, and quality of life of its residents according to the County Charter, general laws, and the will of the people it serves.

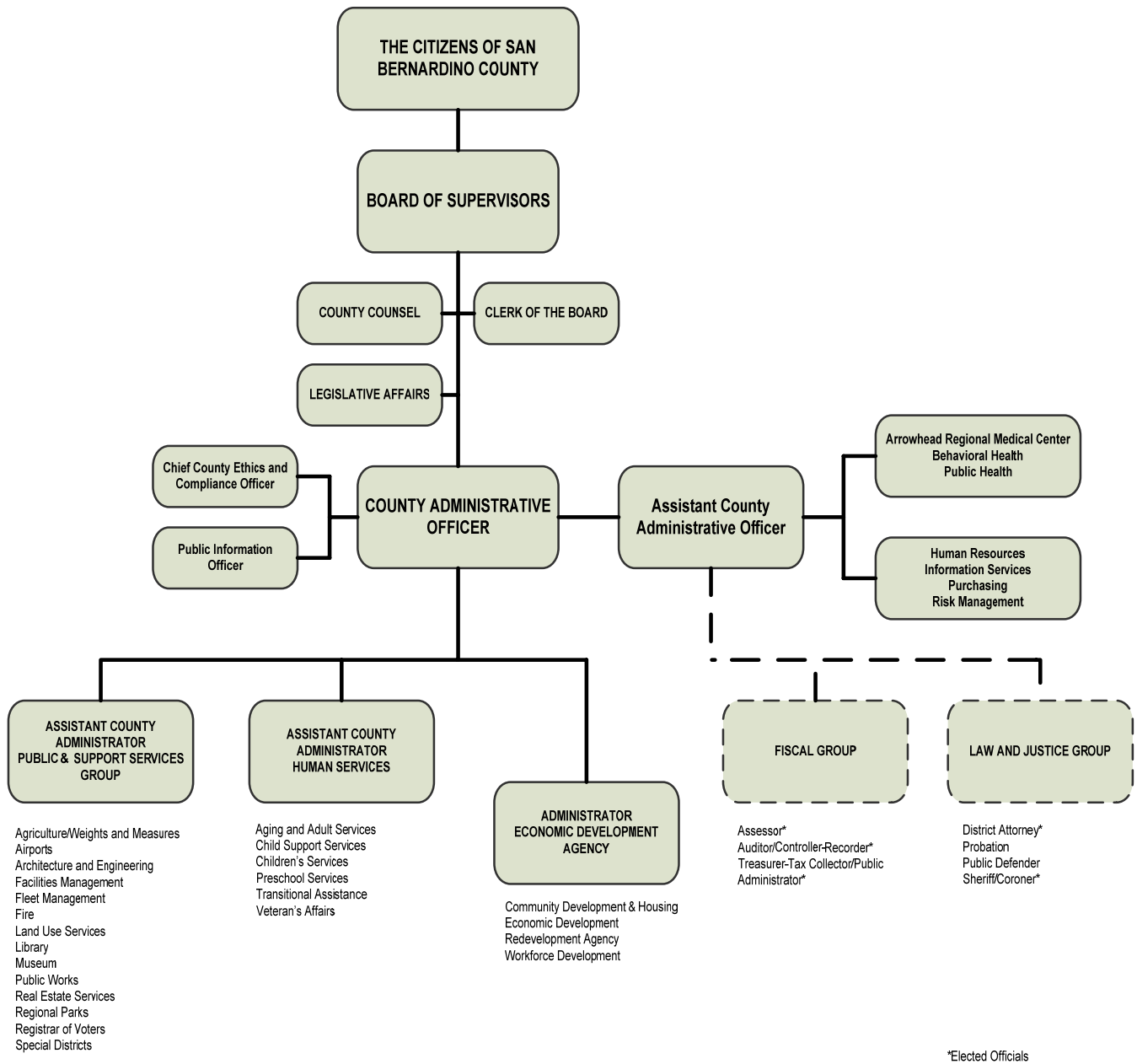


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MARK H. UFFER
County Administrative Officer

COUNTY OF SAN BERNARDINO

County Administrative Office

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San Bernardino, CA 92415-0120
(909) 387-5418
FAX: (909) 387-5430

BOARD OF SUPERVISORS

Bill Postmus, Chair.....*First District*
Paul Biane, Vice Chair.....*Second District*
Dennis Hansberger.....*Third District*
Gary C. Ovitt.....*Fourth District*
Josie Gonzales.....*Fifth District*

The Honorable Board of Supervisors
County of San Bernardino
San Bernardino, California

The County's final budget for 2006-07 was adopted on August 22, 2006. As has been the case in past years, the budget stands as a fiscally sound spending plan and provides for the operational needs of county departments. The 2006-07 final budget continues to focus county resources on public safety, capital improvements (including alleviating the maintenance backlog on county buildings), the economic development of the County, and planning for the future by setting aside ongoing financing.

In Spring 2006, the County implemented the Service FIRST program. This program established consistent service standards and expectations for all County employees to ensure that our customers and co-workers receive the quality and level of service they desire. This initiative was also incorporated in the development of the 2006-07 budget.

Additionally, the County directed departments to build a business plan that focused on measuring departmental accomplishment of specific goals and objectives, rather than reporting the number of activities and services the department performs. The County intends to show how departments affect their customers and determine if the County is receiving the desired results. These business plans are a new starting point for the budget process and support the annual budget plan by tying the budget to department's goals and objectives.

Also new in 2006-07 is the setting aside of \$20.0 million in ongoing revenues to finance future capital improvements. This financing will be used to satisfy the need for increased space necessitated by the service demands of the County's growing population.

THE BUDGET IN BRIEF

The County produces two budget books. This budget book represents the general fund, restricted financing funds, special revenue funds, capital project funds, and enterprise funds for the County. Additionally, there is a budget book for Board Governed Special Districts. The total appropriation for the County and Board Governed Special Districts in 2006-07 is \$3.3 billion and \$0.6 billion, respectively for a combined total of \$3.9 billion.

General Fund appropriation, including restricted financing of Prop.172 and Realignment, total \$2.2 billion and is funded by countywide discretionary revenues, financing transfers from departments, the use of reserves, and the beginning fund balance of the General Fund. Of this \$2.2 billion, the Board of Supervisors has discretion over \$664.0 million. The General Fund budget includes approximately \$1.0 billion for salaries and benefits, which is a \$100.6 million increase from the previous year. Of the \$100.6 million increase, \$58.7 million is for the Law and Justice Group to fund MOU increases for the safety and safety management units, retirement costs, workers compensation costs, and the addition of 312.2 new positions. The remaining \$41.9 million in the non-law and justice groups funded MOU increases, retirement costs, workers compensation costs, and the deletion of 1.1 positions.

When the 2006-07 final budget was adopted, there was \$52.5 million in general purpose reserves and \$115.5 million in specific purpose reserves. Additionally, on-going set asides were established to pay the on-going annual costs for the county's future space needs (\$20.0 million), retirement costs (\$7.9 million), and jail expansion due to the growing population (\$7.0 million).

THE HONORABLE BOARD OF SUPERVISORS

2006-07 Final Budget

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BUDGET HIGHLIGHTS

Public Safety

In the Sheriff's Department, the 2006-07 final budget includes approved work-force increases equivalent to an additional 219.5 budgeted positions. \$4.6 million is allocated for design services for the expansion of the Adelanto Adult Detention Center. The total cost of this project, which will add an additional 896 beds to the facility, is estimated to be \$86.0 million. The final budget also set aside \$3.7 million that will assist in funding the renovation of Central Juvenile Hall and a portion of the \$20.0 million on-going set aside will be used to build a new Crime Lab.

The 2006-07 budget also includes \$4.0 million for additional staffing in the County Fire Department. This staffing is for fire stations in the outlying desert areas and certain mountain areas of the County. In addition, \$5.7 million in one-time funding, including \$3.5 million for a new fire station in Phelan, is included in the budget.

Capital Improvements

In the 2006-07 final budget, \$60.4 million in new projects are funded, primarily using County discretionary funds. Major new projects include \$5.2 million for the renovation of Central Juvenile Hall in San Bernardino, \$4.6 million towards the expansion of the Adelanto Adult Detention Center, \$6.0 million for the expansion of the Fontana Government Center, \$4.0 million to fund a Community Center in the City of Chino Hills, and \$2.7 million for the expansion of the Hall of Geological Wonders at the County Museum in Redlands. Projects approved in prior years but not yet completed total an additional \$127.4 million. The three major carryover projects are the \$40.9 million seismic retrofit and remodel of the historic County Courthouse in San Bernardino to be funded primarily by an existing civil filing fee surcharge, a \$30.0 million remodel of the sixth floor of the Arrowhead Regional Medical Center in Colton, to convert the floor from administrative space to a medical/surgical wing, and the \$23.7 million acquisition and renovation of the 303 W. 3rd Street office building in San Bernardino.

Economic Development

The County continues to enhance the development of a countywide economic strategy to serve as a framework for policy decision-making when planning for the explosive growth and development the County now faces. In the 2006-07 final budget, an additional \$2.5 million and 7.0 new positions were added for this purpose.

Transportation

The 2006-07 final budget includes increased transportation spending of \$43.3 million to improve the County's road system. This increase in spending makes it possible to rehabilitate several highways and roads, widen and install passing lanes and signals, pave roads, replace bridges, and finance drainage improvements on certain roads.

Behavioral Health Program Funding

The County's 2006-07 final budget includes \$30.6 million in funding from Proposition 63, which established a state personal income tax surcharge of 1 percent on taxpayers with annual taxable incomes of more than \$1 million. New and expanded services will include a child/family support system, children's crisis response teams, one-stop integrated service centers for transitional-age youth, a consumer-operated peer-support and clubhouse expansion program, a forensic integrated mental health services program, and an assertive community treatment team for frequent users of hospital and jail services.

LOOKING AHEAD – CHALLENGES IN FISCAL YEAR 2006-07 AND BEYOND

As the population of the County continues to increase, the needs of the County continue to grow. Among the County financing issues on the horizon are:

- Building Needs
- Jail Expansion
- Hospital Expansion
- State/Federal Financing Issues
- New Judgeships
- Economic and Redevelopment Needs

CONCLUSION

The fiscal year 2006-07 San Bernardino County Budget meets the County's budget objectives and addresses the major policy issues that face the County. As the County enters a new year and looks forward to the challenges that lie ahead in future years, we will continue to strive to efficiently and effectively meet the needs of San Bernardino County's citizens.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Mark H. Uffer", is written over a light gray horizontal line.

MARK H. UFFER
County Administrative Officer



COUNTY OF SAN BERNARDINO COUNTYWIDE SERVICES

The services provided by the County are broken into categories in accordance with the County Mission Statement. The County Mission Statement reads, "The mission of the government of the County of San Bernardino is to satisfy its customers by providing service that promotes the **health, safety, well-being, and quality of life** of its residents according to the County Charter, general laws, and the will of the people it serves." Thus, the primary categories of service for the county are health, safety, well-being, and quality of life. The categories of support and fiscal services are necessary to supplement the other more primary services.

Health Services

- Arrowhead Regional Medical Center
- Behavioral Health
- Public Health

Safety Services

- County Fire
- District Attorney
- Law and Justice Group Administration
- Probation
- Public Defender
- Sheriff

Well Being Services

- Aging and Adult Services/Public Guardian
- Agriculture/Weights and Measures
- Airports
- Child Support Services
- Community Development and Housing
- Economic Development
- Human Services Administration
 - Transitional Assistance
 - Children's Services
- Land Use Services
- Preschool Services
- Public Works
- Redevelopment Agency
- Registrar of Voters
- Special District
- Veterans Affairs
- Workforce Development

Quality of Life Services

- County Library
- County Museum
- Regional Parks

Support Services

- Architecture and Engineering
- Capital Improvement Program
- Clerk of the Board
- County Administrative Office
- County Counsel
- Facilities Management
- Fleet Management
- Human Resources
- Information Services
- Purchasing
- Real Estate Services
- Risk Management

Fiscal Services

- Assessor
- Auditor/Controller-Recorder
- Treasurer-Tax Collector/Public Administrator



COUNTY OF SAN BERNARDINO COUNTYWIDE FACTS AND FIGURES

SIZE:

20,160 square miles (largest county in the contiguous United States by area)

COMMUNITIES/TOWNS/INCORPORATED CITIES:

31

REGIONAL PARKLAND:

9,200 acres

COUNTY LIBRARY:

31 Branches

ELEVATION:

Highest Elevation, Mt. San Gorgonio, 11,502 ft.

UNIVERSITIES/COMMUNITY COLLEGES

(Ranked by # of students):

Four Year Universities (2003)

1. California State University San Bernardino (16,927)
2. University of Redlands (4,366)
3. Loma Linda University (3,501)

Community Colleges (2003)

1. Chaffey College (18,438)
2. San Bernardino Valley College (12,404)
3. Victor Valley Community College (10,930)
4. Crafton Hills College (5,521)
8. Barstow College (3,424)
9. Copper Mountain College (2,245)

Source: RAND California, Education Statistics.

AIRPORTS:

1. Cable Airport
2. Chino Airport
3. Daggett Airport
4. Hesperia Airport
5. Ontario International Airport
6. San Bernardino Airport
7. Southern California Logistics Airport

TOURIST ATTRACTIONS:

1. Big Bear Lake Resort
2. Calico Ghost Town
3. California Speedway
4. Colorado River
5. Joshua Tree National Park
6. Lake Arrowhead Resort
7. Route 66

TOP 5 HOSPITALS (Ranked by number of beds):

1. Loma Linda University Medical Center, Loma Linda (701 beds)
2. Kaiser Foundation Hospital, Fontana (393 beds)
3. Arrowhead Regional Medical Center, Colton (327 beds)
4. Community Hospital of San Bernardino, San Bernardino (292 beds)
5. St. Bernadine Medical Center, San Bernardino (286 beds)

Source: U.S. News and World Report, Best Health. Data provided by the American Hospital Association.

UNEMPLOYMENT: 4.4% (September 2006)

Source: California Employment Development Department, Labor Market Information

MAJOR SAN BERNARDINO EMPLOYERS (2006):

Employer	Employees
County	16,511
Loma Linda Univ. Health Center	13,000
US Marine Corp Air/Ground Center	12,000
Kaiser Permanente	9,300
San Bernardino City Unified School District	7,491
Ontario International Airport	5,000
Fontana Unified School District	3,820
San Manuel Band of Mission Indians	3,261
Cal State University San Bernardino	3,012
Chino Unified School District	3,000

Source: California Employment Development Department

EMPLOYMENT MIX (December 2005):

Services	545,000
Retail Trade	88,900
Government	120,600
Construction	46,100
Transportation & Public Utilities	166,100
Wholesale trade	31,200
Farming	2,900
Finance, insurance & real estate	27,300
Mining	800

Source: California Employment Development Department, SB County – Industry Employment and Labor Force – By Month, August 18, 2006.

MEDIAN FAMILY INCOME: \$53,506 (Inflation Adjusted Dollars, 2005)

Source: U.S. Census Bureau, American Community Survey, 2005.

PER CAPITA PERSONAL INCOME: \$25,108 (2004)

Source: California Employment Development Department, Labor Market Information.

MEDIAN HOME PRICE: \$365,000

Source: Data Quick Information Systems, August, 2006.

ASSESSED VALUATIONS (FY 2006-07):

\$153,832,296,959

Source: SB County Assessor's Office

TAXABLE SALES (in thousands, 2004): \$26,206,167

Source: State Board of Equalization



**COUNTY OF SAN BERNARDINO
COUNTYWIDE FACTS AND FIGURES CONTINUED**

POPULATION BY CITY

INCORPORATED CITY	TOTAL 1/1/2006 ESTIMATED POPULATION
Adelanto	24,880
Apple Valley	67,507
Barstow	23,599
Big Bear Lake	6,182
Chino	78,055
Chino Hills	77,969
Colton	51,781
Fontana	165,462
Grand Terrace	12,380
Hesperia	80,268
Highland	51,489
Loma Linda	21,912
Montclair	35,648
Needles	5,681
Ontario	171,113
Rancho Cucamonga	170,479
Redlands	71,086
Rialto	99,189
San Bernardino	201,823
Twentynine Palms	27,498
Upland	74,099
Victorville	95,145
Yucaipa	50,553
Yucca Valley	20,537
Total Incorporated	1,684,335
Total Unincorporated	307,494

Source: *State of California, Department of Finance, E-1: Population Estimate with Annual Percentage Change- January 1, 2005 and 2006. Sacramento, California, May 2006.*

ETHNICITY (2004 Estimates):

White	39%
Hispanic	45%
Asian	5%
Black	9%
American Indian	1%
Other	1%

Source: *State of California, Department of Finance.*

MEDIAN AGE (2005): 30.2

Source: *U.S. Census Bureau, 2005 American Community Survey*

BIRTH RATE (2005): 16.91 (per 1,000 pop.)

Source: *State of California, Dept. of Finance, Demographic Research Unit, Historical and Projected Birth by County, 2000-14, September 2005.*

DEATH RATE (2004): 649.1 (per 100,000 pop.)

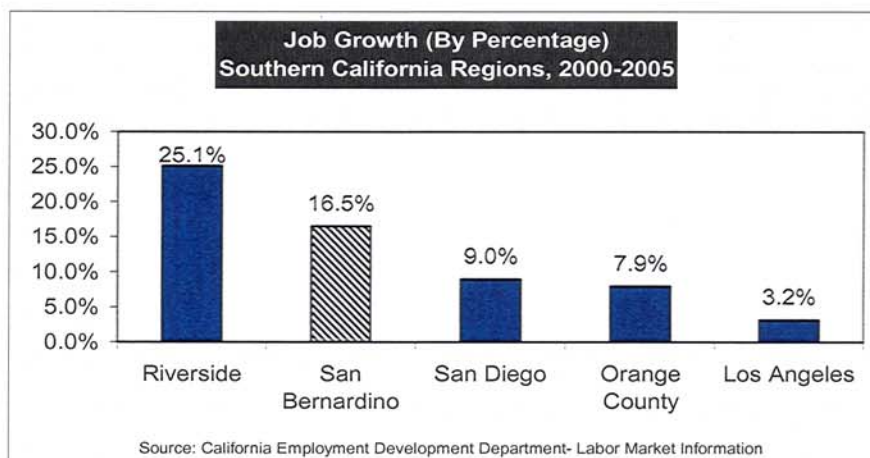
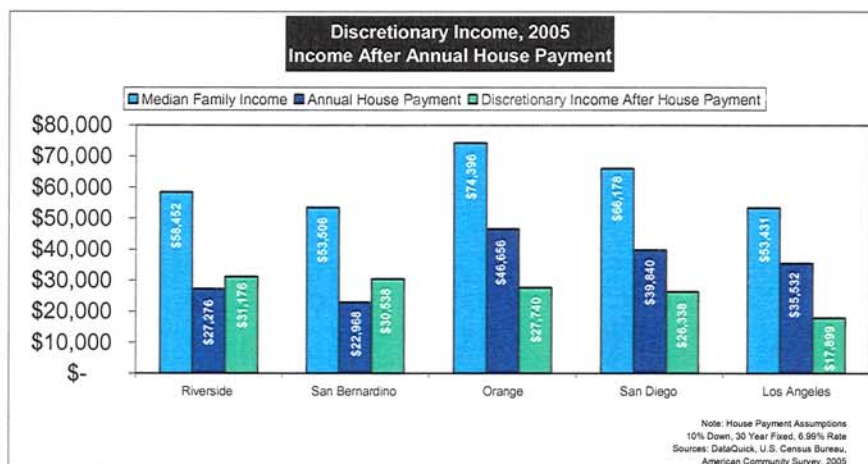
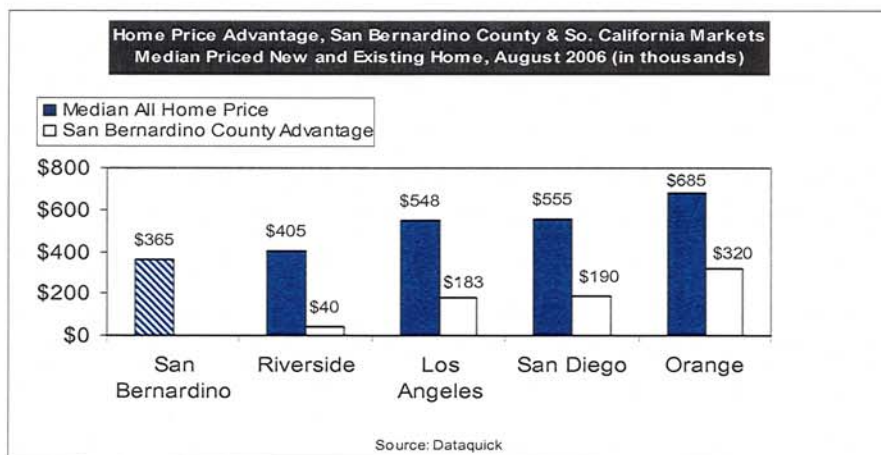
Source: *Center for Health Statistics and U.S. Bureau of the Census, California Department of Finance, 2004.*

POVERTY LEVEL: 15%

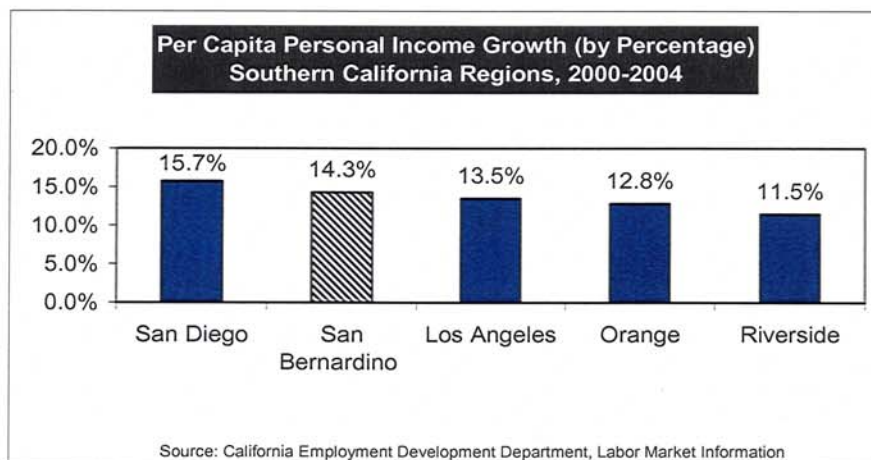
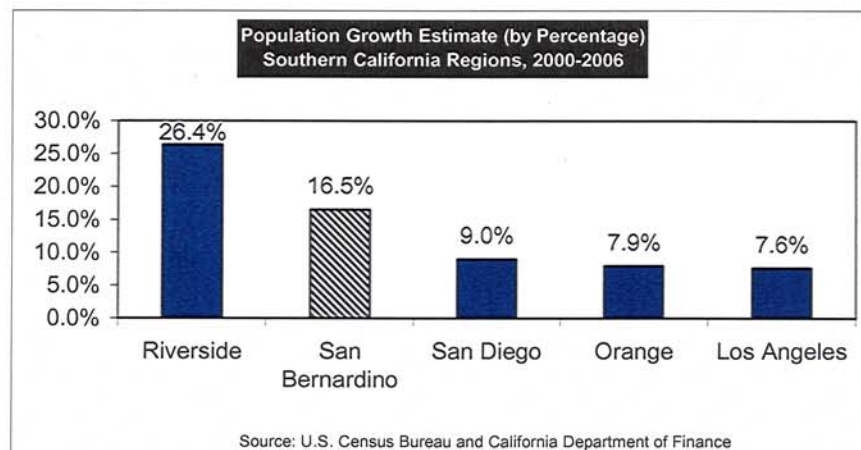
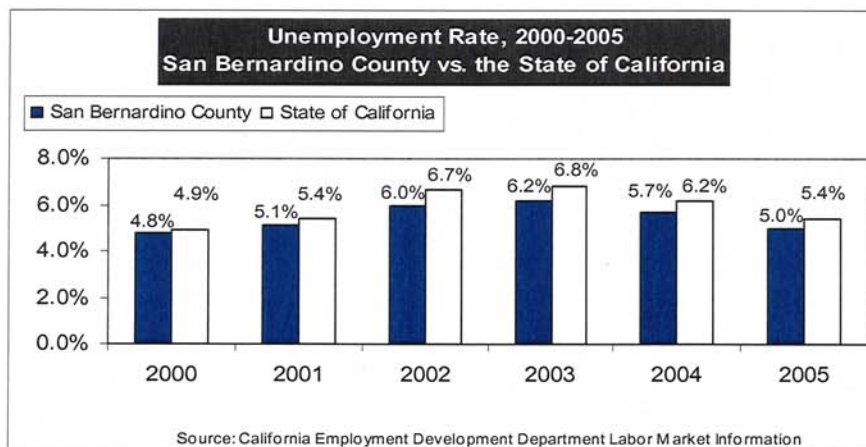
Source: *U.S. Census Bureau, 2005 American Community Survey.*



THE COUNTY OF SAN BERNARDINO COMPARES FAVORABLY TO OTHER REGIONS



THE COUNTY OF SAN BERNARDINO COMPARES FAVORABLY TO OTHER REGIONS, CONTINUED



COUNTY OF SAN BERNARDINO

The Board of Supervisors adopted the County of San Bernardino's 2006-07 Final Budget on August 22, 2006. This budget covers the period from July 1, 2006 – June 30, 2007. Each department is responsible for operating within their budget and has the authority to spend up to the approved budget amount.

The County of San Bernardino's 2006-07 Final Budget consisting of the general fund, restricted financing funds, capital project funds, special revenue funds, and enterprise funds has a total appropriation of \$3.3 billion.

When developing their individual budgets, each department considers the following mission, vision, and value statements of the County of San Bernardino:

Mission Statement

The mission of the government of the County of San Bernardino is to satisfy its customers by providing service that promotes the health, safety, well being, and quality of life of its residents according to the County Charter, general laws, and the will of the people it serves.

Vision Statement

Our vision is to create a safe, clean, and healthy environment that appeals to families and individuals, and attracts the best in business and industry. We will create, support, and enhance vibrant communities that emphasize beauty, culture, art, recreation, education, and a sense of history.

VALUES Statement

To achieve our Vision, we dedicate ourselves to these values:

- **Valuing** our workforce by providing recognition, training and education, opportunities for customer service and career development, a safe and healthy work environment and fair compensation.
- **Appreciation** and promotion of the diverse cultures that comprise our workforce and the communities we serve.
- **Leadership** by coordinating regional planning through collaboration with local communities and businesses.
- **Unquestioned integrity** that embraces a culture of honor and trustworthiness.
- **Excellence** in the development of efficient and cost-effective strategies to improve customer service in an atmosphere that allows and encourages new ideas.
- **Service** of the highest quality to our customers delivered with dignity and respect.



Economic Indicators

San Bernardino County is part of an Inland Empire economy that is one of the strongest in the U.S. In 2005, the area added 56,658 jobs (*up 4.8%*) or 22% of those created in California. In first quarter 2006, the U.S. Bureau of Labor Statistics put the region's growth at 58,900 jobs (*up 5.0%*), indicating that this strength is continuing. In 2005, San Bernardino County's retail sales totaled \$29.6 billion, up 12.8%. That was double the 6.3% growth in the state. The county's per capita sales of \$15,172, compared to the state's average of \$14,386. The high retail sales levels are, in part, the result of the region's low living costs for a Southern California area. The median family income in 2006 is \$57,000, putting it above Los Angeles County (\$56,200) but below Orange County (\$76,300). However, after one year's amortization on the mortgage for the median home, the disposable income remaining in the Inland Empire is \$30,688 versus \$29,964 in Orange County and \$19,420 in Los Angeles County.

Finally, San Bernardino County's assessed valuation is soaring, up 17.9% for fiscal year 2007 or \$22.6 billion. This was the largest growth rate and absolute increase in the county's history. While home construction is slowing, other real estate sectors are not. Commercial developers are well behind meeting the needs of past population growth. Office operations are now migrating inland to meet the demands of the area's 4.0 million people. Industrial development in the county is expanding in concert with the need for facilities to handle the rising volumes of imports through Southern California's ports.

State of California's Budget

The 2006 Budget Act signed by Governor Schwarzenegger fulfills the two principal budget priorities he put forth in his May Revision – improving the state's fiscal health by: (1) paying down debt and building a reserve; and (2) fully funding education – while also providing critical funding for law enforcement, disaster preparation and services for abused and neglected children.

The Budget sets aside an unprecedented amount to address the state's debt – a combined total of more than \$4.9 billion, or 4.7 percent of total General Fund resources available, by establishing a budget reserve of \$2.1 billion and early debt repayments of \$2.8 billion.

At the same time, the Budget provides a record level of funding for the state's K-12 schools and community colleges, fully funding the Proposition 98 guarantee. The Budget provides \$55.1 billion in education spending under Proposition 98, an increase of 8.1 billion, or 17 percent compared to the 2004 Budget Act.

The Budget also provides significant new resources to protect the public: \$256 million to improve services to abused and neglected children; \$214 million to improve the capacity of hospitals to handle disaster and epidemic related surges in demand for hospital care; \$198 million for law enforcement initiatives, including funding to help police departments cover the costs of booking fees, enhancements to law enforcement subventions, funding for methamphetamine eradication, funding for sexual assault felony enforcement grants to local governments, and grants to help county sheriffs and probation officers manage mentally ill offenders.

In addition, the Budget makes a substantial investment in improving California's transportation system. It provides \$1.4 billion to fully fund Proposition 42 for the second consecutive year, and it provides an additional \$1.4 billion for the early repayment of past loans from Proposition 42, for a total of \$2.8 billion. Of the \$1.4 billion repayment, \$446 million is designated for cities and counties for local road and street maintenance that would otherwise not be funded. Finally, the Budget provides \$250 million for deferred maintenance in the state park system.

Source: The California Department of Finance



State Impact on the County's Adopted Budget

Transfer of Fees

The 2006-07 Budget Act requires counties to transfer revenues from certain court imposed fees, fines, and forfeitures to the local trial court that would otherwise have gone to the counties. The county's historical contribution of \$28,390,295 was made up of two components. The expenditure component of \$20,227,102 represented the adjusted 1994-95 county expenses for court operations and the revenue component of \$8,163,193 was based on the fine and forfeiture revenue sent to the state in 1994-95. The revenue component has been reduced to \$3,325,704 in 2006-07, and therefore, the county's current contribution is \$23,552,806.

Property Tax Administration Grant

The 2006-07 Budget Act suspends for one more year the \$60 million that the State has budgeted since 1995-96 for the State Property Tax Administration Grant Program that has assisted counties in maintaining timely property assessments. The County's revenue loss totals \$2.1 million.

Senate Bill 90

The passage of Senate Bill 90, the Property Tax Relief Act of 1972, provided that counties receive reimbursement by filing claims to the state for the actual costs incurred for implementing certain state-mandated programs. As part of the 2006-07 Budget Act, the state appropriated \$169.9 million, with instructions to the State Controller's Office to pay deferred and newly determined mandates. This represents an increase in payments from one to two years of the fifteen years of installment obligations owed to local agencies. The County is estimated to receive \$6.5 million in claims in 2006-07.

Transportation

Of the \$2.8 billion provided by the 2006-07 Budget Act to improve California's transportation system, \$11.0 million has been designated to San Bernardino County. The County will use these funds to finance a number of projects including the following:

- Rehabilitation of Redwood Avenue – Fontana area.
- Drainage improvements to Nice Avenue – Mentone.
- Rehabilitation of Crafton Avenue – Mentone.
- Rehabilitation of State Street – Muscoy.
- Rehabilitation of Tamarind Avenue – Fontana area.
- Rehabilitation of Phelan Road – Phelan.
- Drainage improvements to El Mirage Road – Adelanto area.
- Curb and gutter repair – Silver Lakes.
- Retaining wall replacement/retrofit – Lake Arrowhead area



Financial Planning Calendar

Ongoing

The Board of Supervisors provides ongoing policy direction to the County Administrative Officer.

August through November

Business Plans – Department-wide Business Plans are developed and serve as a guideline to lead the County in preparing the budget. The Business Plan is a comprehensive and systematic management tool designed to help each department assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the department's mission, and achieve consensus on goals and objectives for achieving that mission. The Business Plan supports the annual budget plan by illustrating how a department's budget and available resources can be tied to goals and objectives, and is used to track, monitor, and evaluate departmental progress by establishing timelines and milestones, and comparing projections to actual accomplishments.

Capital Improvement Plan – Departments submit annual capital improvement requests for improvements to land or structures that exceed \$5,000. These requests include a project description and justification, financial impact, and funding source. The requests are evaluated and prioritized by the County Administrative Office and presented to the Board of Supervisors for comment during budget workshops. In addition, departments periodically provide a five-year plan that is updated to re-evaluate priorities based on changing circumstances, staffing levels, and available funding.

December through February

Five-year Financial Plan – The County Administrative Office develops a five-year forecast of financial operations for general fund programs, projecting major revenues and expenditures, based on current service levels and expected future changes to those programs or service levels. The analysis includes the identification of trends, significant impacts, and recommendations, which are reported to the Board of Supervisors.

Budget Prep System – The in-house budget system is updated for changes in the various Memorandums of Understanding between the County and the various employee representation units. Additionally, internal training is conducted for all users of the system and the system is opened up for departmental input into preparation of the budget submittal.

March and April

Business Plan Workshop – Department Heads, County Administrative staff, and the Board of Supervisors meet to discuss and review the Business Plans. These plans include departmental requests for policy items for which the Board of Supervisors provides input and direction to staff.

Financial Plan – The upcoming budget year financing plan is developed based on revenue projections and estimates for cost increases of on-going costs. This plan includes the allocation of general fund financing (local cost) and provides estimates from remaining funding available to meet unmet needs of the County.

Preparation of Proposed Budget – Departments develop their respective proposed budgets and submit them to the County Administrative Office for review and recommendation to the Board of Supervisors. General fund departments must budget within their respective local cost allocations given to them based on the financing plan.

Fee Development – Departments develop their respective budget unit(s) proposed fee changes and submit them to the County Administrative Office for review and recommendation to the Board of Supervisors.



May and June

Submission of Proposed Budget –. The Proposed Budget Book is finalized and presented to the Board of Supervisors. The County Administrative Office publishes notices and schedules public hearings to discuss the proposed budget.

Budget Workshop – Department Heads, County Administrative staff, and the Board of Supervisors meet to discuss and review the proposed budget. The Board provides input and direction to staff regarding programs, staffing, funding, and fees.

Budget and Fee Hearing – The Board of Supervisors conducts public hearings on the Proposed Budget and the Proposed Fee changes. At this time, the Board may modify the Proposed Budget.

August

Adoption of Final Budget – All Board approved changes are incorporated into the Final Budget.



Calendar for the 2006-07 Budget

August 22, 2005	Business Plan Instructions to Departments
October 28, 2005	Capital Improvement Program – Request for Budget Submittals to Departments
November 10, 2005	Departments Submit Business Plans to the Budget Office
November 30, 2005	Departments Submit Capital Improvement Program – Request for Budget Submittals to Budget Office
February 16, 2006	Budget Preparation System opened for Departmental Input
February 27, 2006	Budget Preparation System Training for Departments
March 9, 2006	Budget and Fee Instructions to Departments
March 21, 2006	Board of Supervisors Approval of Targets/Financial Plan and Strategic Objectives
March 24, 2006	Departments Submit Budget Workbooks and Fee Changes to the Budget Office
April 24-25 & May 1-2, 2006	2006-07 Business Plan Workshop
May 8, 2006	Proposed Budget Delivered to the Board of Supervisors
May 31 & June 5, 2006	2006-07 Budget Workshop
June 6, 2006	Budget and Fee Hearing
June 27, 2006	Adoption of 2006-07 Proposed Budget
August 22, 2006	Adoption of 2006-07 Final Budget
November 2006	Final Budget Book Printed



Business Plan

This year, the Board of Supervisors received the County's first Business Plan, distributed in March 2006. This plan document is the new starting point for San Bernardino County's budget process and it is intended to support the annual budget plan by tying the budget to the department's goals and objectives.

Business Plan Workshops were held April 24th, 25th, May 1st and May 2nd, 2006. These workshops provided the Board of Supervisors the opportunity to review departmental goals and objectives. Additionally, this was the first occasion for departments to explain how they utilize their allocated resources in terms of meeting projected goals and objectives and what additional resources would be needed for new projects not yet funded.

General Fund Budget Process

The County Administrative Office has the responsibility of developing the county financing plan for all general fund departments. This plan begins with reviewing the two restricted financing sources, Prop. 172 and Realignment. Prop. 172 assists in financing the Sheriff, District Attorney, and Probation departments. Realignment assists in financing the general fund departments of Human Services, Behavioral Health, and Public Health for mental health, social services, and health programs. If these financing sources are not sufficient to pay for those departments' costs, then the general fund sources are considered.

The 2006-07 revised financing plan included a total of \$524.6 million in ongoing discretionary revenue for the general fund. This revenue is comprised of property taxes, interest on the county investment pool, sales tax, and other taxes. The financing plan initially allocates increases in these discretionary revenues to fund increases in mandatory costs such as previously negotiated salary increases, previous year's Board approved costs, and other mandated costs. After the mandatory costs are financed, the remaining unallocated discretionary revenue is presented to the Board of Supervisors during the budget workshop for allocation.

Budget workshops were held on May 31 and June 5, 2006, to discuss each department's proposed budget. Each department submitted a proposed budget based on the general fund financing amount allocated to them in the financing plan and their own departmental revenues. At that time, departments also requested fee adjustments and/or policy items, which included funding requests for those workload and program changes that were unable to be financed in their proposed budget.

A Budget and Fee Hearing was held on June 6, 2006. The Budget and Fee Hearing is designed to take public testimony related to the budget and to provide direction to staff for changes or additions to the budget. At the Hearing, staff was directed to return to the Board on June 27, 2006, for adoption of the Proposed Budget and return in August for adoption of the Final Budget.

On June 27, 2006, the Board of Supervisors approved the County's Proposed Budget which included the County Administrative Office's recommended changes to financing and recommended changes to reserves, the Sheriff's Prop 172 program proposal, and the vast majority of recommended policy items.

The Final Budget was formally adopted on August 22, 2006. At that time, additional County Administrative Office recommendations and budget adjustments related to State Budget Impacts were also approved.

When the budget was adopted on August 22, 2006, the unrestricted financing available totaled \$1.8 million. The breakdown of the unrestricted financing into categories of ongoing and one-time was \$0.9 million and \$0.9 million, respectively. In addition, the Board of Supervisors directed that any fund balance adjustment in the general fund would be made to the appropriation for contingencies. No money can be spent from contingencies without obtaining Board of Supervisors approval.



Other Funds Budget Process

In addition to the general fund, the County of San Bernardino has restricted financing funds, capital project funds, special revenue funds, enterprise funds, and internal service funds. All of these funds are restricted to the revenue sources they receive. Each department having these types of funds is responsible for developing its budget based on the revenue resources available to them. These resources include projected revenue to be collected in 2006-07 and any revenue not spent and carried forward from prior years (for example, fund balance for special revenue funds). These budgets were also discussed during the budget workshop and Budget and Fee Hearing. In addition, the Board of Supervisors gave approval to make necessary fund balance adjustments to these funds to agree to the Auditor/Controller-Recorder's actual fund balance.

Amending the Adopted Budget

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the appropriation unit level within budget units for the County. Any increases in appropriation in a budget unit after adoption of the final budget require an item to be placed on the agenda of the Board of Supervisors and a four-fifths vote is necessary for approval.

Transfers of appropriation between appropriation units within the same budget unit are authorized by the County Administrative Office with the following exceptions:

- Transfers out of the Salary and Benefit and Fixed Asset appropriation.
- Transfers in of the Fixed Asset appropriation in excess of \$10,000.

The above two exceptions regarding transfers of appropriation also require an item be placed on the agenda of the Board of Supervisors.



APPROPRIATION SUMMARY

The 2006-07 final budget includes appropriation of \$3,333,444,080, an increase of \$240,250,061 or 7.77% over the 2005-06 restated final budget. The restatement is a result of creating the new Economic Development Agency and listing it separately from the Admin/Exec Group as previous listed. The schedule below lists appropriation, however, it does not include operating transfers, which is a mechanism for providing financing from one fund to another within the county.

	Restated Final 2004-05	Restated Final 2005-06	Final 2006-07	Change Between 2005-06 & 2006-07	Percentage Change
Countywide Operations					
Admin/Exec Group	371,338,230	410,300,619	462,158,163	51,857,544	12.64%
Contingencies	109,326,898	96,967,709	59,124,138	(37,843,571)	(39.03%)
Financial Administration	6,000,000	6,916,414	6,916,414	-	0.00%
Debt Service	22,537,293	21,737,293	21,137,293	(600,000)	(2.76%)
Economic Development Agency	-	4,039,579	7,884,668	3,845,089	95.19%
Fiscal Group	43,771,521	48,171,697	55,579,783	7,408,086	15.38%
Human Services	805,513,063	852,267,789	837,760,168	(14,507,621)	(1.70%)
Law & Justice Group	478,356,085	541,669,462	607,264,840	65,595,378	12.11%
Public and Support Services Group	76,275,550	85,073,955	99,187,047	14,113,092	16.59%
Total General Fund	1,913,118,640	2,067,144,517	2,157,012,514	89,867,997	4.35%
Restricted Financing Funds	64,934,332	86,248,868	51,218,711	(35,030,157)	(40.62%)
Capital Project Funds	55,021,644	135,480,527	187,965,212	52,484,685	38.74%
Special Revenue Funds	366,955,900	361,730,983	419,583,558	57,852,575	15.99%
Subtotal	2,400,030,516	2,650,604,895	2,815,779,995	165,175,100	6.23%
Enterprise Funds					
Arrowhead Regional Medical Ctr	288,702,713	316,080,391	340,079,901	23,999,510	7.59%
Medical Center Lease Payment	53,385,776	53,508,961	54,023,686	514,725	0.96%
County Museum Store	151,541	141,677	102,316	(39,361)	(27.78%)
Regional Parks Snackbars	67,603	73,245	74,336	1,091	1.49%
Regional Parks Camp Bluff Lake	292,594	257,536	222,466	(35,070)	(13.62%)
Solid Waste Management	98,049,999	72,527,314	123,161,380	50,634,066	69.81%
Subtotal	440,650,226	442,589,124	517,664,085	75,074,961	16.96%
Total Countywide Funds	2,840,680,742	3,093,194,019	3,333,444,080	240,250,061	7.77%

Countywide Operations

Countywide operations show an increase in appropriation of \$89,867,997. The most significant increases are in Administrative/Executive Group and the Law & Justice Group. The most significant decreases are in Contingencies and Human Services. Each group is discussed below.

The **Administrative/Executive Group** shows a net increase of \$51.8 million. The Behavioral Health budget unit represents \$38.7 million of this increase mainly due to \$30.6 million in cost increases associated with implementation of the Mental Health Service Act (MHSA) programs. Additionally, the California Children's Services budget unit increased \$3.6 million for which represents a combination of staffing cost increases due to state mandated ratios and a cost shift for administrative services from the Public Health budget unit to the California Children's Services budget unit.



Contingencies are decreased a total of \$37.8 million primarily due to a \$53.7 million decrease in contingencies for uncertainties which was used to finance 2005-06 mid year board items as well as numerous 2006-07 policy items submitted by departments. This decrease was offset by a \$20.0 million increase in contingencies for future space needs as the County plans for the financing of future growth.

Debt Service decreased a net \$0.6 million primarily due to the elimination of a one-time policy item in 2005-06 that funded the early repayment of \$1.0 million in outstanding Certificates of Participation and the addition of \$0.3 million in variable rate savings from 2005-06 that the Board redirected in a new policy item to pay a portion of the County's 2006-07 outstanding variable rate debt.

The **Economic Development Agency** shows an increase of \$3.8 million resulting from the approval by the Board of Supervisors of several policy items designed to enhance economic development programs within the County. The Economic Development Agency continues to evolve and expand after its creation last year.

Within the **Fiscal Group**, all budget units experienced an increase. The total increase is \$7.4 million, of which the most significant increase is reflected in the Assessor's budget unit. In addition to the \$1.2 million increase due to costs associated with performing the mandated functions of this office, the Assessor's budget unit received an additional \$1.9 million in local funding to support several policy items and also received restoration of \$0.6 million for business process improvement to their imaging system. The Auditor/Controller-Recorder increased \$2.0 million due in part to improving the Financial Accounting System, monitoring user satisfaction surveys and providing additional training. The Treasurer-Tax Collector's budget unit increased \$1.6 million mostly as a result of adding a Tax Collector satellite office in Victorville.

The **Human Services** decreased a net of \$14.5 million. The caseload driven CalWORKs-All Other Families and CalWORKs-Two Parent Families decreased \$21.4 million and \$2.2 million, respectively. These decreases are due to a sharp decrease in caseload as a result of CalWORKs time limits and a healthy local economy. Additionally, Foster Care decreased \$7.0 million due to cases moving from the Foster Care program to other programs.

These decreases are offset by increases of \$10.8 million in the administrative claim due to MOU, retirement, workers comp and other services and supplies and increases of \$3.6 million in Aid to Adoptive Children due to caseload increases.

The **Law and Justice Group** increased by a net \$65.6 million. The Sheriff, Probation, District Attorney and Public Defender budget units all had increases in the costs to maintain current services. Beyond these factors, the Sheriff Department increased appropriation due to enhancing the coroner's division, city contracts, court security, the purchase of tasers and a replacement bus, new patrol deputies for unincorporated areas and the expansion of the Adelanto Detention Center. Additionally, increases in the Sheriff budget resulted from the newly established Immigration and Customs Enforcement Unit at West Valley Detention Center and a San Manuel patrol contract. The Probation budget unit increased appropriation as a result of further expansion of the High Desert Juvenile Detention and Assessment Center and mandated costs associated with the implementation of evidence-based treatments in the juvenile halls and probation-operated treatment facilities. Furthermore, Probation received funding for a Mentality Impaired Offender Unit. Other factors for the District Attorney's increase were due to an increase in support staff, Special Units Management staff, Victims Services staff and the funding of the Identity Theft Unit and the Lifer Prison Parole Unit. For the Public Defender's, additional increases resulted from a mid-year item that added ten positions and the approval of several policy items which added a total of fourteen more positions.

The **Public and Support Service Group** shows a net increase of \$14.1 million attributed mainly to the increases in three budget units. The Registrar of Voters budget unit increased \$5.4 million which represents a combination of decreases resulting from a two-election cycle in 2005-06 to a one-election cycle in 2006-07 offset by increases of \$8.1 million in Help America Vote Act (HAVA) one-time funds available from the State to assist the County with its conversion to touch screen electronic voting with Voter Verified Paper Audit Trail functionality. The Facilities Management budget unit received an increase of \$1.8 million for additional staff and funding for minor capital improvement projects that will be handled by the department. Lastly, Land Use Services' Building and Safety



budget unit increased \$1.2 million due to on-going workload increases related to the improving economy and the continued increase in construction.

Restricted Financing Funds

Restricted Financing Funds consist of two restricted financing sources – Prop 172 and Realignment. Prop 172 revenue assists in financing the Sheriff, District Attorney, and Probation departments. Realignment assists in financing mental health, social services and health programs within the County.

Of the total \$51.2 million in these restricted financing funds, the Realignment portion is \$35.8 million and the Prop 172 portion is \$15.4 million. Appropriation decreased from the prior year by \$35.0 million, which consisted of a \$32.4 million decrease in Realignment and a \$2.6 million decrease in Prop 172. For more details regarding restricted financing, refer to the General Fund Financing section of this budget book.

Capital Project Funds

Capital Project Funds appropriation increased by \$52,484,685 from the prior year amount.

Of the \$188.0 million total appropriation for all capital projects budgeted for 2006-07, \$60.4 million was budgeted for new projects and \$127.6 million was budgeted as carry-over projects. For more details regarding capital project funds, refer to the capital improvement program section of this budget book.

Special Revenue Funds

Special Revenue Funds increased \$57,852,575 overall.

Significant increases in appropriation in special revenue funds include:

- \$56.0 million in various Transportation funds, of which the significant increases include \$41.3 million in the operations fund, \$8.2 million in the newly created development mitigation plan funds, and \$3.2 million in the Measure I funds. These appropriations will be used for various roadwork projects, which include overlays, rehabilitation, storm drainage improvement, and the development of mitigation plans for future construction.
- \$3.9 million expansion in the Regional Parks County Trail System due to planned construction of Phase One of the Santa Ana River Trail.
- \$3.3 million growth in the Special Aviation funds as a result of new capital improvement projects scheduled at the county airports for 2006-07.
- \$3.1 million in the Auditor/Controller-Recorder's Systems Development fund as a result of continued increases in the recordings of legal documents.
- \$3.0 million in the County Library budget unit for a new facility, an additional joint use project, increases in the book budget, and an approved business process improvement to shift from barcode technology to radio frequency identification.
- \$2.4 million in the newly created Southwest Border Prosecution Initiative fund for law and justice related activities. This funding was previously held in a reserve and is now allocated in a special revenue fund.



Significant decreases in appropriation in special revenue funds include:

- \$4.8 million reduction in Probation's Juvenile Justice Grant program due to a change in the timing of funding received from the state. Previously, allocations were provided in advance of the expenditures and held in contingencies by the county.
- \$3.4 million in various Sheriff's special projects funds, of which \$1.8 million is in the COPSMORE grant fund which was scheduled to end in December 2005, however, an extension was approved through December 2006; and \$1.5 million decrease in the Aviation special project fund due to the reimbursement from this fund for a purchase of a new helicopter in the Sheriff's general fund.
- \$3.2 million cutback in Workforce Development primarily due to impacts of specialty grants expiring at the end of 2005-06 and an anticipated 10% cut in Workforce Investment Act (WIA) grant allocations.

Enterprise Funds

Of the six enterprise funds listed in the appropriation summary, Arrowhead Regional Medical Center and Solid Waste Management had the most significant changes.

The increase in Arrowhead Regional Medical Center (ARMC) reflects increased costs in workers compensation, retirement costs, salary and benefits costs due to labor negotiations, the addition of 192.4 positions to comply with required staffing ratio in nursing care services, and to convert contracted services to full-time employees. In addition, services and supplies increased related to information technology enhancement, inflationary costs, and professional services due to volume increases.

Solid Waste Management appropriation increased by \$50.6 million, including \$42.1 million for several new landfill expansions and environmental projects funded with the proceeds from the sale of the surplus property north of the Milliken Landfill, \$4.3 million for closure projects funded from the Financial Assurance Fund, and costs to dispose of additional waste brought to the landfills and transfer stations for \$4.2 million.

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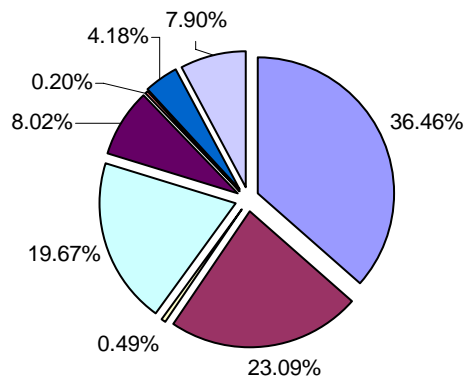
The appropriation summary charts presented on the following pages include expenditures and other financing uses such as operating transfers for all appropriated funds. Operating transfers represent financing provided from one fund to another within the county. The figures presented on the appropriation by category chart are subtotaled prior to the operating transfers out line. The appropriation categories reflected in the subtotal are the same as presented on page 1 of this budget summary. Additionally, there is a chart to reflect appropriation by group/agency and a chart for appropriation by fund type.



APPROPRIATION SUMMARY BY CATEGORY

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget
Appropriation			
Salaries & Benefits	1,095,464,971	1,205,940,954	1,325,064,404
Services & Supplies	718,564,896	716,139,815	839,099,986
Central Computer Charges	12,821,359	14,971,328	17,848,675
Other Charges	670,659,672	727,264,460	715,060,056
Capital Assets / Equipment	141,352,517	213,270,176	291,507,915
Expenditure Transfer & Reimbursements	(9,183,951)	(10,601,679)	(7,096,920)
Contingencies and Reserves	211,001,278	226,208,965	151,959,964
Subtotal	2,840,680,742	3,093,194,019	3,333,444,080
Operating Transfers Out	163,430,844	197,904,137	287,057,017
Total	3,004,111,586	3,291,098,156	3,620,501,097
Budgeted Staffing	16,510.8	17,128.5	17,601.2

**Total Appropriation By Category
Fiscal Year 2006-07**



- Salaries & Benefits
- Services & Supplies
- Central Computer Charges
- Other Charges
- Capital Assets / Equipment
- Expenditure Transfer & Reimbursements
- Contingencies and Reserves
- Operating Transfers Out



Changes by appropriation category for all appropriated funds include:

- Salaries and Benefits are increasing by approximately \$119.1 million or 9.8%. This represents increased costs as a result of negotiated labor agreements, required retirement contributions, and the addition of 472.7 positions. Of significance, the Department of Behavioral Health added positions as a result of increased funding under the Mental Health Services Act (MHSA); the Sheriff-Coroner added additional staffing for the Adelanto Detention Center, the Coroner's Office, unincorporated patrol, and city service contracts; and Arrowhead Regional Medical Center added positions to comply with the required staffing ratio in nursing care services and to convert contract positions to full-time employees. Refer to the "Budgeted Staffing Summary" on pages 14 through 20 for further detail regarding staffing changes by department.
- Services and Supplies are increasing by approximately \$122.9 million or 17.2%. Significant increases include \$39.4 million in various transportation funds for roadwork projects, which include overlays, rehabilitation, storm drainage improvement, and the development of mitigation plans for future construction; \$28.8 million for the Department of Behavioral Health to implement MHSA programs; and \$10.3 million for Solid Waste Management for several new landfill expansions and environmental projects.
- Central Computer charges are increasing by \$2.9 million or 1.9%. This is the result of 2005-06 mid-year rate increases and 2006-07 rate adjustments to account for licensing and lease agreements, infrastructure upgrades, and increased central processing unit (CPU) usage.
- Other charges are decreasing by \$12.2 million or 1.6%. This appropriation unit includes public assistance payments, contributions to other agencies, debt service payments, and interest expense. The most notable change is a \$26.9 million decrease in public assistance with a \$11.3 million offsetting increase in contributions to other agencies in the Capital Improvement Program for community enhancement projects.
- Capital Assets/Equipment is increasing by \$78.2 million or 36.7% and includes all capital projects, land acquisition, vehicle, and equipment purchases and lease/purchases. Significant changes include an additional \$41.2 million for various projects in the Capital Improvement Program outlined in that section of this budget book; \$22.2 million for Solid Waste Management – Site Enhancement, Expansion, and Acquisition for new capital landfill and construction projects; and \$8.4 million for Airport capital projects.
- Expenditure Transfer & Reimbursements are decreasing by (\$3.5) million or 33.0%. Transfers are the movement of resources from one fund to another for payment of services received and reimbursements are the amount received as a repayment for the services provided on behalf of another governmental unit or department. Reimbursements are considered a financing source.
- Contingencies and Reserves are decreasing by a total of \$74.2 million or 32.8%. Significant decreases include \$40.6 million in General Fund contingencies, of which, \$53.7 million decreased in contingencies for uncertainties used to finance 2005-06 mid year board items as well as numerous 2006-07 policy items submitted by departments and \$20.0 million was increased in contingencies for future space needs as the County plans for the financing of future growth. Additionally, decreases are reflected in the restricted general funds of Realignment and Prop. 172. These decreases are \$32.4 million and \$2.6 million, respectively.
- Operating Transfers Out is a method of providing financing from one fund to another for the implementation of a project or program, and is increasing by \$89.2 million or 45.0%. Significant increases include \$44.3 million from the general fund to finance Capital Improvement Projects, County Fire Department programs, Transportation Department programs, Office on Aging programs, and to backfill the loss of state grant revenue for the Assessor's Office; and \$27.9 million from Proposition 63 funds for MHSA programs.

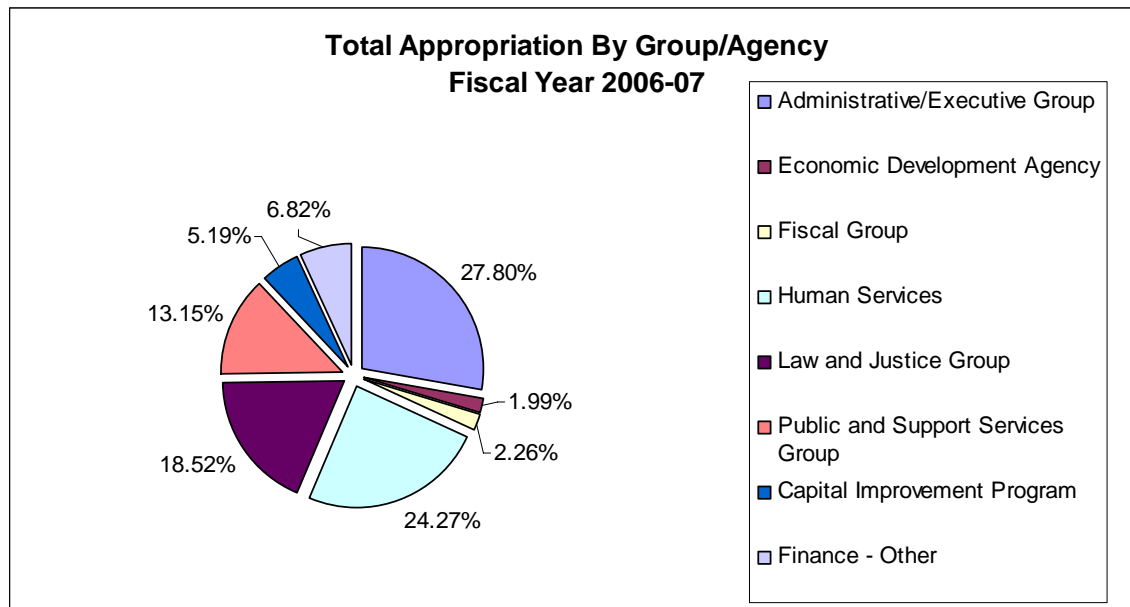


APPROPRIATION SUMMARY BY GROUP/AGENCY

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget
Administrative/Executive Group	825,379,560	894,288,168	1,006,460,701
Economic Development Agency	74,128,555	74,023,010	72,158,589
Fiscal Group	65,110,632	71,723,990	81,705,339
Human Services	853,672,142	901,936,598	878,654,528
Law and Justice Group	541,264,115	611,331,930	670,404,702
Public and Support Services Group	367,523,101	332,915,892	476,161,994
Capital Improvement Program	55,021,644	138,855,027	187,965,212
Finance - Other	222,011,837	266,023,541	246,990,032
Total	3,004,111,586	3,291,098,156	3,620,501,097
Budgeted Staffing	16,510.8	17,128.5	17,601.2

Note: The Administrative/Executive Group also includes the Health-related departments.

The above chart lists appropriation by group / agency. The Finance – Other group includes budget units that are predominately Countywide in nature, have no budgeted staffing associated with them, or exist for proper budgetary accounting purposes. Included in this group are contingencies, financial administration, the restricted funds of Realignment and Prop. 172, and some special revenue funds that only appropriate operating transfers out.



The matrix below lists the group / agency as depicted in the organizational chart of the county. For each group / agency listed, the various fund types utilized are checked.

Group / Agency	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds
Administrative/Executive Group	X	X		X	X
Economic Development Agency	X	X			
Fiscal Group	X	X			X
Human Services	X	X			
Law and Justice Group	X	X			
Public and Support Services Group	X	X		X	X
Capital Improvement Program			X		
Finance - Other	X	X			

FUND DESCRIPTIONS

Governmental Fund Types

General Fund: The General Fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund. The General fund is the County's primary operating fund.

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects).

Capital Project Funds: Capital Project Funds account for financial resources designated for the acquisition or construction of major capital facilities other than those financed by Enterprise and Internal Service Funds.

Proprietary Fund Types

Enterprise Funds: Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds: Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis.

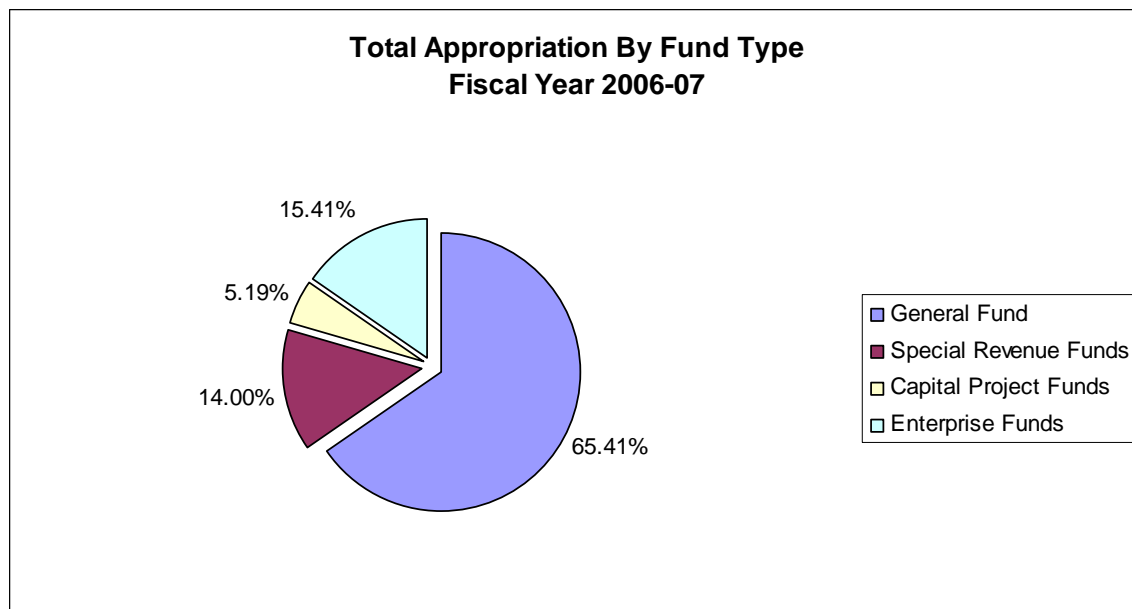
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All funds, except Internal Service Funds, are appropriated. Internal Service Funds have budgets for management purposes only.



APPROPRIATION SUMMARY BY FUND TYPE

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget
General Fund	2,051,276,116	2,270,973,964	2,368,052,914
Special Revenue Funds	416,629,329	412,223,408	506,727,262
Capital Project Funds	55,021,644	138,855,027	187,965,212
Enterprise Funds	481,184,497	469,045,757	557,755,709
Total	3,004,111,586	3,291,098,156	3,620,501,097
Budgeted Staffing	16,510.8	17,128.5	17,601.2



REVENUE SUMMARY

The 2006-07 final county budget is financed from a variety of sources. These sources are listed below. This schedule does not include operating transfers as they are a mechanism for providing financing from one fund to another within the county.

	Final 2004-05	Final 2005-06	Final 2006-07	Change Between 2005-06 & 2006-07	Percentage Change
REVENUES FOR ALL COUNTY FUNDS					
(Excluding Enterprise Funds)					
Property Taxes	160,692,219	319,743,053	408,839,612	89,096,559	27.87%
Other Taxes	152,224,725	186,509,549	207,443,448	20,933,899	11.22%
State and Federal Aid	1,368,650,071	1,326,358,834	1,350,558,090	24,199,256	1.82%
Charges for Current Services	335,574,123	372,839,019	407,486,747	34,647,728	9.29%
Other Revenue	109,717,133	117,486,037	120,735,152	3,249,115	2.77%
Subtotal	2,126,858,271	2,322,936,492	2,495,063,049	172,126,557	7.41%
ENTERPRISE FUNDS					
Arrowhead Regional Medical Center	298,070,213	325,780,391	348,892,401	23,112,010	7.09%
Medical Center Lease Payment	24,536,303	23,974,328	24,280,903	306,575	1.28%
County Museum Store	169,650	147,600	133,000	(14,600)	(9.89%)
Regional Parks Snackbars	76,000	82,000	80,500	(1,500)	(1.83%)
Regional Parks Camp Bluff Lake	328,650	262,000	188,000	(74,000)	(28.24%)
Solid Waste Management	61,220,482	66,092,089	75,577,813	9,485,724	14.35%
Subtotal	384,401,298	416,338,408	449,152,617	32,814,209	7.88%
Total County Budget	2,511,259,569	2,739,274,900	2,944,215,666	204,940,766	7.48%

Property Taxes

The dramatic change in this revenue source is attributable to two major causes:

- An increase in property tax revenues based on an estimated 19% increase in secured assessed valuation.
- The elimination of the two-year \$1.3 billion local government contribution of property tax revenues to the State that decreased property tax revenues by \$16.4 million in both 2004-05 and 2005-06.

Other Taxes

Other taxes are increasing \$20.9 million as a result of an estimated increase of \$5.0 million in Property Transfer Tax as compared to the 2005-06 final budget. Sales taxes are expected to increase by \$4.3 million over the 2005-06 final budget. The one-half percent sales tax for Prop 172 revenue is estimated to increase \$10.5 million.



State and Federal Aid

An overall increase in revenues is reflected in the revenue category of state and federal aid. This increase is comprised of both increases and decreases in various programs.

Significant increases in State and Federal Aid include:

- \$34.5 million in the Behavioral Health budget units of which, \$27.9 million resulted from the passage of Proposition 63, that was enacted into law as the Mental Health Services Act (MHSA) effective January 1, 2005, \$5.1 million is for increases in Medi-Cal inpatient costs, and \$1.5 million represents an increase in Early Periodic Screening and Diagnostic Testing funds received from the state.
- \$16.8 million in the Transportation budget unit, which includes the following increases: \$11.0 million in state traffic congestion funds, \$3.3 million in federal aid for disasters, \$1.5 million in gas tax funds, and \$1.5 million in the county's share of local transportation funds. These increases were offset by a \$0.5 reduction in federal capital grants.
- \$9.6 million in Human Services' Administrative Claim budget unit of which, \$6.0 million represents an equal share of state and federal health administration and \$3.6 million is for increase in federal welfare administration.
- \$8.1 million in Help America Vote Act (HAVA) state grant for the Registrar of Voters to assist the County with its conversion to touch screen electronic voting with Voter Verified Paper Audit Trail functionality.
- \$7.1 million in federal aid for Airports is due to additional funds anticipated from the Federal Aviation Administration (FAA) for capital improvement projects.
- \$3.1 million anticipated in SB 90 revenues as this program has been restored by the state.
- \$3.1 million in state grants for the Cedar Glen water and road improvements project.

Significant decreases in State and Federal Aid include:

- \$24.6 million in various Human Services' Subsistence budget units that is the result of a \$18.5 million decrease in state aid for children and a \$6.1 million decrease in federal aid for children. Additionally, there was a \$3.5 million reduction in state public assistance for the Human Services' Administrative Claim.
- \$13.5 million in the Sheriff budget units of which, \$11.7 million is a reduction of U.S. Marshal revenue in the Sheriff's general fund budget unit due to the county's mandate to provide housing for county prisoners. Additionally, a reduction of \$1.8 million in the Sheriff's COPSMORE special revenue fund is because the grant is scheduled to end in December 2006.
- \$4.2 million in federal funds for Community and Housing as a result of reductions in Community Development Block Grant funds and the final receipt of entitlement funds from other federal grants. Additionally, the Business Loan and Section 108 grant programs have been completed.
- \$3.3 million in state grants in the Workforce Development budget unit due to specialty grants such as Welfare-to-Work, National Emergency, and Nurse's Workforce Initiative expiring; and the Workforce Investment Act formulary funds such as Adult, Dislocated Worker, and Youth grants have declining allocations from the Department of Labor to the State of California.



Charges for Current Services

Charges for current services increased overall from the 2005-06 budget year. The most significant increase in departmental business activity consists of \$19.4 million in contract law enforcement services; \$8.2 million in Transportation's facilities development fees; \$2.6 million in property tax admin fees; \$2.5 million in booking fees, \$2.2 million in treasury pool management fees; and \$2.1 million in recording fees.

Noteworthy decreases in current services include \$5.7 million in court fees due to several legislative changes affecting the Trial Court Maintenance of Effort and revenue sharing agreements with the State and \$1.3 million in election services due to one less major election in 2006-07.

Other Revenue

Other revenue includes licenses, permits, franchises, fines and penalties, interest earnings, and tobacco settlement funds. This category of revenue increased and the significant changes are mentioned below.

Noteworthy increases include \$2.5 million in interest revenue and \$1.2 million in construction permits due to the continued building construction within the county.

Major decreases in this category of revenue include a \$2.5 million reduction in the Master Settlement Agreement budget due to anticipated decreases resulting from tobacco company disputes over the settlement agreement. Additionally, a decrease in other revenue of \$1.1 million is anticipated because there is fewer helicopters remaining to be sold compared with the sales of last year.

Enterprise Funds

Of the six enterprise funds listed in the revenue summary, Arrowhead Regional Medical Center and Solid Waste Management had the most significant changes.

Arrowhead Regional Medical Center (ARMC) revenues are expected to grow due to anticipated increases in state and federal revenues attributed by: the new hospital financing waiver under SB 1100, Section 1011 of the Medicare Modernization Act of 2003, increase in Medicare revenue due to wage index geographic reclassification of San Bernardino County to Los Angeles County and additional revenue from Inland Empire Health Plan to execute a Circle of Excellence Program. Additionally, there is an increase in the Realignment allocation to ARMC to partially offset the increased costs related to nursing staffing compliance ratio and for one-time building & land improvements and information technology enhancement projects.

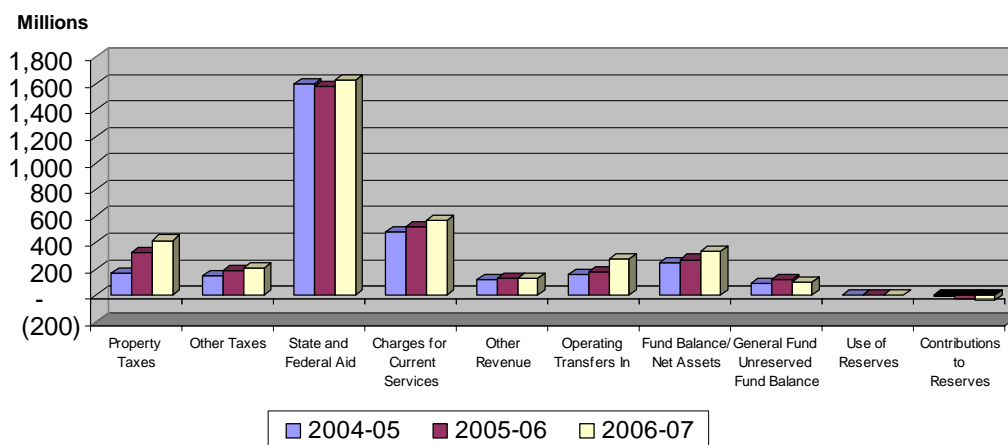
Solid Waste Management revenues increased by \$9.5 million, including \$6.8 million due to cost of living adjustments to Waste Delivery Agreements with cities, as well as additional tonnage accepted at the landfills and transfer stations, \$1.5 million interest earned on cash balances, and \$1.2 million for grants, royalties, and leases.

TOTAL REVENUES AND OTHER FINANCING SOURCES

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget
Revenues			
Property Taxes	167,754,752	327,126,671	415,936,297
Other Taxes	152,224,725	186,509,549	207,443,448
State and Federal Aid	1,596,789,993	1,581,198,401	1,622,031,175
Charges for Current Services	478,881,635	518,800,040	568,348,265
Other Revenue	115,608,464	125,640,239	130,456,481
Total Revenues	2,511,259,569	2,739,274,900	2,944,215,666
Other Financing Sources			
Operating Transfers In	156,713,492	179,256,696	275,104,245
Fund Balance/Net Assets	250,345,647	270,078,921	329,871,416
General Fund Unreserved Fund Balance	88,029,109	121,637,030	100,698,815
Use of Reserves	1,154,301	2,253,702	6,063,708
Contributions to Reserves	(3,390,532)	(21,403,093)	(35,452,753)
Total Other Financing Sources	492,852,017	551,823,256	676,285,431
Total Revenues and Other Financing Sources	3,004,111,586	3,291,098,156	3,620,501,097

The revenue and other financing sources schedule above includes all county funds. This schedule includes operating transfers, which are the mechanism for providing financing from one fund to another within the county. Additionally, this schedule summary provides the fund balance/net assets of all non-general funds, the general fund's unreserved fund balance, as well as, the use of, and the contributions to the county's reserves as designated in the financing plan.

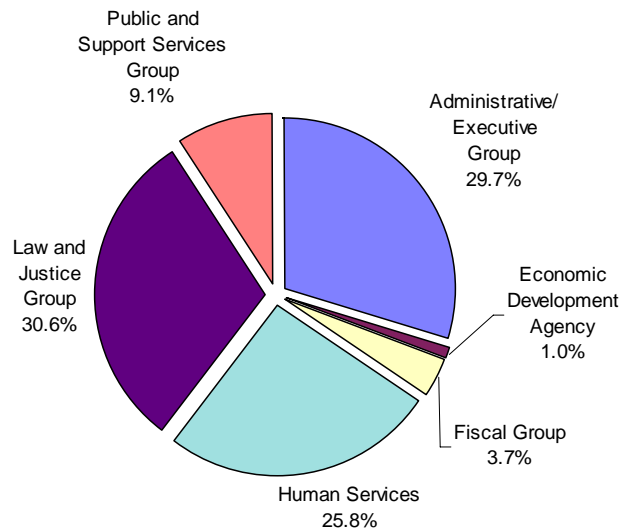
**Total Revenues and Other Financing Sources
Fiscal Years 2004-05 Through 2006-07**



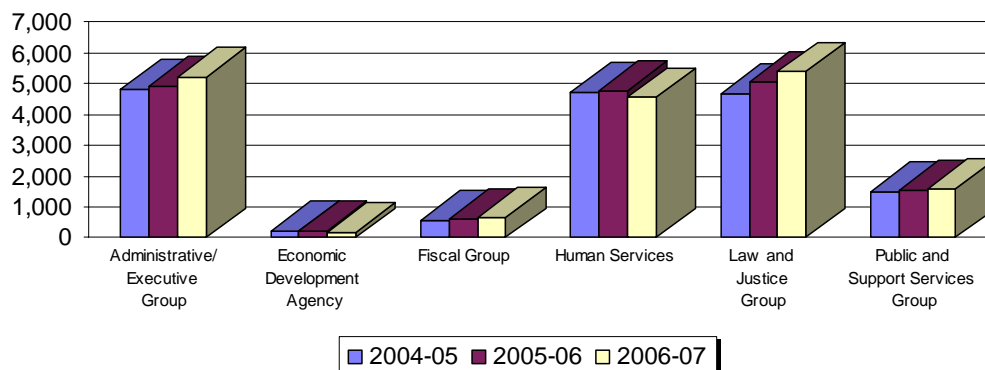
BUDGETED STAFFING SUMMARY

The graph below depicts the budgeted staffing by group / agency for the current fiscal year. The graph at the bottom illustrates the budgeted staffing for the current as well as the prior two fiscal years.

**Budgeted Staffing By Group / Agency
Fiscal Year 2006-07**



**Budgeted Staffing By Group / Agency
Fiscal Years 2004-05 Through 2006-07**



	Change from Previous Year				
	2005-06 Budgeted Staffing	Caseload Driven/ Grant or Special Funded Programs	All Other Programs	Total Change	2006-07 Budgeted Staffing
General Fund	12,602.0	13.1	298.0	311.1	12,913.1
Other Funds	4,526.5	161.6	0.0	161.6	4,688.1
Total	17,128.5	174.7	298.0	472.7	17,601.2

Significant changes from the previous year in caseload driven, grant or special funded programs include the following:

General Fund

- **Behavioral Health** increased budgeted staffing by 94.6 positions as a result of increased funding to provide services under the Mental Health Services Act.
- **Public Health** decreased budgeted staffing by a net 20.0 positions due to the elimination of, and reduction in funding for various maternal, adolescent and family - based programs. **Public Health's** budget unit **California Children's Services** increased budgeted staffing by 13.4 positions due to mandated staffing requirements imposed by the state.
- **Child Support Services** decreased a total of 34.5 budgeted positions as a result of financing salary and benefit and other cost increases given that base funding remains the same as last year.
- **Human Services Administrative Claim** budgeted staffing decreased by 182.3 positions. Of these, Transitional Assistance is reducing a net of 84.3 budgeted positions, Children's Services is reducing a net of 57.5 budgeted positions (after adding 1.5 positions and reducing 59.0 to meet the mandated program needs), Aging and Adult Services is reducing a net of 16.2 (after adding 6.0 positions and reducing 22.2 to meet the mandated program needs) and Human Services support divisions are reducing a net of 24.3 budgeted positions. These reductions are all due to increased costs and stagnant funding.
- **Probation Administration, Corrections and Detention** budgeted staffing increased by 42.0, including: 38.8 staff at High Desert Juvenile Detention and Assessment Center to open 40 additional beds in 2006-07; 29.7 staff related to enhance juvenile mental health services in response to litigation; the addition of 1.0 supervising probation officer for the gang unit; 1.0 probation officer funded by the IMPACT grant; 7.0 probation officers and 1.0 office assistant for a new unit to supervise probationers with mental illness; the loss of funding for (9.0) staff in the Bridges Program, (8.0) in Probation-to-Work, and (6.3) related to Prop 36 drug programs; and a net reduction of (13.2) related to anticipated vacancies.
- **Sheriff-Coroner** increased 98.0 budgeted positions in the caseload driven, grant or special funded programs category, of which 84.0 personnel are for city contracts, 7.0 for increased court security, 6.0 due to a new contract with San Manuel for patrol and law enforcement, and 1.0 for administration of county security contracts.



Other Funds

- **Information Services' Network Services Division** staffing increased by 12.0 budgeted positions. There were 4.0 positions added mid-year to meet service demands. Additionally, 2.1 positions were transferred from Information Services' Computer Operations in a realignment of overall departmental positions, 3.0 new positions and 2.7 increase in budgeted positions for overtime are proposed due to increases in workload, and 0.2 media positions were added for planned program expansion.
- **Arrowhead Regional Medical Center** budgeted staffing increased by 192.4 positions to comply with required staffing ratio in nursing care services, and to convert contracted services to full-time employees.
- **Workforce Development** budgeted staffing decreased by a net of 56.5 positions due to several factors: the completion of the National Emergency Grant Short-Term Employment program (27.5), the termination of the Memorandum of Understanding with the Transitional Assistance Department (14.5), and the de-funding of positions in anticipation of Workforce Investment Act funding reductions (7.0), the transfer of positions to the Economic Development Agency (4.0) and miscellaneous staffing changes (3.5).
- **Preschool Services** budgeted staffing decreased by 27.7 positions due to a reduction in Federal Head Start funding.
- **County Library** budgeted staffing increased by 10.4 positions primarily due to the addition of several part-time positions to assist the department with workload demands at various branch locations.
- **Public Works - Road Operations** increased budgeted staffing by 19.1 positions mainly due to the following: 8.0 previously approved contract positions for the Bark Beetle tree removal program; 6.0 positions for the proposed Land Development Section; and a 4.5 increase to establish a Public Works Engineer Training program.
- **Public Works - Solid Waste Management** budgeted staffing increased by 11.6 positions mostly for construction inspections, maintenance/repairs of scale facilities, assurance that the landfill operations contractor is in compliance with provisions of the contract, and for enhanced customer service at the landfills.

Significant changes from the previous year in all other programs include the following:

General Fund

- **Human Resources** increased by 11.4 budgeted staffing, including the addition of 1.0 Assistant Director of Human Resources; 3.0 staff to support the County's EMACS payroll system; 2.0 Human Resources Analyst I positions which will be fully reimbursed from the Departments of Behavioral Health and Child Support Services; 0.5 Human Resources Analyst II for the Employee Relations Division, which will be partially offset by the elimination of 0.1 extra help position; and the transfer in of 5.0 out-stationed positions and corresponding reimbursements.
- **Assessor** increased by 28.9 budgeted positions of which 28.0 positions were added as a result of approved policy items. These policy items consisted of the addition 12.0 valuation staff; 10.0 administrative staff and 6.0 assessment services staff. In addition, budgeted staffing was also adjusted to reflect the net increase of 0.9 positions.
- **Treasurer-Tax Collector/Public Administrator** increased by 19.5 budgeted positions, of which 16.0 budgeted positions were added mid-year due to significant workload growth in the Tax Collector's Division and staffing needs for a satellite office in Victorville, 1.0 budgeted position was added mid-year for the Unified Property Tax System, 1.0 budgeted position was added for management of the Treasurer's investment pool, and 1.5 budgeted positions were added to support the Tax Collector excess proceeds.
- **District Attorney - Criminal** increased 27.0 budgeted positions. There were 6.0 positions added to the Investigative Unit to conduct investigations and prepare evidence for the District Attorney's criminal unit. Additionally, 4.0 positions were added to create an Identity Theft Unit for the county, and 2.0 positions were requested as part of the budget process to support IT functions and increased workload. The remaining 15.0 positions were added through approval of four policy items (12.0 positions) and an additional grant award from the Office of Emergency Services (3.0). Policy items approved include: Special Units Management Staff; Increased Support Staff; Victim Services Staffing; and Expansion of the Lifer Prison Parole Unit.



- **Public Defender** increased 24.0 budgeted positions. There were 10.0 positions added for critical support staff and attorneys to handle complex, costly, and time consuming Capital, Sexually Violent Predator, and Mentally Disordered Offender cases. The remaining 14.0 positions were added through approval of eight policy items, which included: Office Support staff; Writs and Appeals and a training unit; Arraignment staffing; additional attorneys for the Central and Juvenile Division; a Supervising Attorney; and Investigative staff. In addition, the department converted two extra help positions to regular positions.
- **Sheriff-Coroner** increased an additional 121.5 budgeted positions, including: full-year funding for 30.3 staff at Adelanto Detention Center; 5.0 nursing staff at Glen Helen Rehabilitation Center; 10.0 custody assistants for booking at West Valley Detention Center; 9.0 custody specialists for an Immigration and Customs Enforcement Unit at West Valley Detention Center; 1.0 sergeant for unincorporated patrol; 24.0 additional deputies for unincorporated patrol; 16.4 deputy trainees to accommodate additional academy training to meet workload demands; 14.0 staff in the coroner's office; 12.0 dispatchers for the desert and valley communication centers; 2.0 criminalists for CAL-DNA; 1.0 additional administrator for the work release program; 7.5 new positions for administration, information technology and nursing; and a net decrease of (10.7) extra-help positions and overtime, to fully fund partially budgeted positions in dispatch, motor pool, crime lab and training.
- **Land Use Services Department – Building and Safety Division** increased budgeted staffing by a total of 10.0 positions. The increase includes 5.0 positions to meet current workload requirements and decrease the use of overtime; 4.0 extra help positions for implementation of a program to provide meaningful work experience to local junior college students; and 1.0 position to review applications referred from Current Planning.

Countywide staffing changes are outlined by county department in the following chart:

BUDGETED STAFFING SUMMARY

Department	2004-05 Final Budget	2005-06 Final Budget	2006-07 Final Budget	Change Between 2005-06 & 2006-07
ADMINISTRATIVE/EXECUTIVE GROUP				
<u>GENERAL FUND</u>				
BOARD OF SUPERVISORS	42.3	58.0	60.5	2.5
BOARD OF SUPERVISORS - LEGISLATION	1.0	1.0	2.0	1.0
CLERK OF THE BOARD	13.0	14.0	15.0	1.0
COUNTY ADMINISTRATIVE OFFICE	24.0	18.0	21.3	3.3
COUNTY ADMINISTRATIVE OFFICE - FRANCHISE ADMINISTRATION	3.0	3.0	3.0	0.0
COUNTY ADMINISTRATIVE OFFICE - HEALTH ADMINISTRATION	4.0	4.0	4.0	0.0
COUNTY COUNSEL	65.0	66.7	67.6	0.9
HUMAN RESOURCES	83.6	88.6	100.0	11.4
HUMAN RESOURCES - EMPLOYEE HEALTH & WELLNESS	12.7	13.9	18.2	4.3
INFORMATION SERVICES - APPLICATION DEVELOPMENT	77.3	102.4	102.8	0.4
INFORMATION SERVICES - EMERGING TECHNOLOGIES	14.0	0.0	0.0	0.0
PURCHASING	16.0	16.0	15.0	(1.0)
BEHAVIORAL HEALTH	565.9	549.6	644.2	94.6
BEHAVIORAL HEALTH - ALCOHOL AND DRUG SERVICES	74.1	75.8	76.4	0.6
PUBLIC HEALTH	862.8	860.4	840.4	(20.0)
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	149.6	158.0	171.4	13.4
SUBTOTAL GENERAL FUND	2,008.3	2,029.4	2,141.8	112.4
<u>OTHER FUNDS</u>				
HUMAN RESOURCES - EMPLOYEE BENEFITS & SERVICES	33.0	33.0	33.0	0.0
HUMAN RESOURCES - COMMUTER SERVICES	2.5	2.5	2.5	0.0
INFORMATION SERVICES - COMPUTER OPERATIONS	127.4	126.9	135.1	8.2
INFORMATION SERVICES - NETWORK SERVICES	93.0	93.0	105.0	12.0
PURCHASING - SURPLUS PROPERTY & STORAGE OPERATIONS	12.0	13.0	8.0	(5.0)
PURCHASING - MAIL/COURIER SERVICES	33.0	33.0	31.0	(2.0)
PURCHASING - PRINTING SERVICES	16.0	16.0	16.0	0.0
RISK MANAGEMENT - OPERATIONS	65.3	70.5	71.0	0.5
ARROWHEAD REGIONAL MEDICAL CENTER	2,432.3	2,491.0	2,683.4	192.4
SUBTOTAL OTHER FUNDS	2,814.5	2,878.9	3,085.0	206.1
TOTAL ADMINISTRATIVE/EXECUTIVE GROUP	4,822.8	4,908.3	5,226.8	318.5
ECONOMIC DEVELOPMENT AGENCY				
<u>GENERAL FUND</u>				
ECONOMIC DEVELOPMENT	0.0	40.0	47.0	7.0
ECONOMIC AND COMMUNITY DEVELOPMENT - ECONOMIC PROMOTION	2.0	0.0	0.0	0.0
ECONOMIC AND COMMUNITY DEVELOPMENT - SMALL BUSINESS DEVELOPMENT	3.0	0.0	0.0	0.0
SUBTOTAL GENERAL FUND	5.0	40.0	47.0	7.0
<u>OTHER FUNDS</u>				
COMMUNITY DEVELOPMENT AND HOUSING	58.0	50.0	49.0	(1.0)
WORKFORCE DEVELOPMENT	150.1	140.5	84.0	(56.5)
SUBTOTAL OTHER FUNDS	208.1	190.5	133.0	(57.5)
TOTAL ECONOMIC DEVELOPMENT AGENCY	213.1	230.5	180.0	(50.5)



BUDGETED STAFFING SUMMARY

Department	2004-05 Final Budget	2005-06 Final Budget	2006-07 Final Budget	Change Between 2005-06 & 2006-07
FISCAL GROUP				
<u>GENERAL FUND</u>				
ASSESSOR	163.9	175.6	204.5	28.9
AUDITOR/CONTROLLER-RECORDER	191.6	203.6	210.6	7.0
TREASURER-TAX COLLECTOR/PUBLIC ADMINISTRATOR	168.9	179.9	199.4	19.5
SUBTOTAL GENERAL FUND	524.4	559.1	614.5	55.4
<u>OTHER FUNDS</u>				
ASSESSOR - STATE/COUNTY PROPERTY TAX ADMINISTRATION	29.0	28.3	28.3	0.0
AUDITOR/CONTROLLER-RECORDER - SYSTEMS DEVELOPMENT	7.0	8.0	17.0	9.0
AUDITOR/CONTROLLER-RECORDER - RECORDS MANAGEMENT	1.0	1.0	0.0	(1.0)
SUBTOTAL OTHER FUNDS	37.0	37.3	45.3	8.0
TOTAL FISCAL GROUP	561.4	596.4	659.8	63.4
HUMAN SERVICES				
<u>GENERAL FUND</u>				
AGING AND ADULT SERVICES - AGING PROGRAM	101.9	101.9	103.2	1.3
AGING AND ADULT SERVICES - PUBLIC GUARDIAN	0.0	27.0	28.0	1.0
CHILD SUPPORT SERVICES	506.4	496.0	461.5	(34.5)
HUMAN SERVICES ADMINISTRATIVE CLAIM	3,576.7	3,607.3	3,425.0	(182.3)
VETERANS AFFAIRS	16.3	18.0	18.0	0.0
SUBTOTAL GENERAL FUND	4,201.3	4,250.2	4,035.7	(214.5)
<u>OTHER FUNDS</u>				
PRESCHOOL SERVICES	535.9	541.8	514.1	(27.7)
SUBTOTAL OTHER FUNDS	535.9	541.8	514.1	(27.7)
TOTAL HUMAN SERVICES	4,737.2	4,792.0	4,549.8	(242.2)
LAW AND JUSTICE GROUP				
<u>GENERAL FUND</u>				
DISTRICT ATTORNEY - CRIMINAL	388.0	422.0	449.0	27.0
DISTRICT ATTORNEY - CHILD ABDUCTION	6.5	6.3	6.0	(0.3)
LAW AND JUSTICE GROUP ADMINISTRATION	1.0	1.0	1.0	0.0
PROBATION - ADMIN, CORRECTIONS & DETENTION	447.0	1,137.2	1,179.2	42.0
PROBATION - DETENTION CORRECTIONS	617.8	0.0	0.0	0.0
PUBLIC ADMIN/GUARDIAN/CONSERV/CORONER	69.1	0.0	0.0	0.0
PUBLIC DEFENDER	175.2	197.0	221.0	24.0
SHERIFF-CORONER	2,867.0	3,207.1	3,426.6	219.5
SUBTOTAL GENERAL FUND	4,571.6	4,970.6	5,282.8	312.2
<u>OTHER FUNDS</u>				
DISTRICT ATTORNEY - SPECIAL REVENUE	32.0	33.0	37.8	4.8
PROBATION - JUVENILE JUSTICE GRANT PROGRAM (AB 1913)	59.0	52.0	50.8	(1.2)
SHERIFF-CORONER - SPECIAL REVENUE	12.0	12.0	12.0	0.0
SUBTOTAL OTHER FUNDS	103.0	97.0	100.6	3.6
TOTAL LAW AND JUSTICE GROUP	4,674.6	5,067.6	5,383.4	315.8



BUDGETED STAFFING SUMMARY

Department	2004-05 Final Budget	2005-06 Final Budget	2006-07 Final Budget	Change Between 2005-06 & 2006-07
PUBLIC AND SUPPORT SERVICES GROUP				
<u>GENERAL FUND</u>				
PUBLIC AND SUPPORT SERVICES GROUP ADMIN	15.0	9.0	10.0	1.0
AGRICULTURE/WEIGHTS AND MEASURES	63.5	63.5	65.7	2.2
AIRPORTS	27.0	28.0	29.5	1.5
ARCHITECTURE AND ENGINEERING	23.0	23.5	26.3	2.8
COUNTY MUSEUM	51.7	53.7	52.7	(1.0)
FACILITIES MANAGEMENT	132.7	148.7	153.4	4.7
FACILITIES MANAGEMENT - UTILITIES	0.0	1.0	1.0	0.0
LAND USE SERVICES - ADMINISTRATION	10.0	11.0	11.0	0.0
LAND USE SERVICES - CURRENT PLANNING	28.0	30.0	33.0	3.0
LAND USE SERVICES - ADVANCE PLANNING	19.0	18.0	18.0	0.0
LAND USE SERVICES - BUILDING AND SAFETY	78.2	85.2	95.2	10.0
LAND USE SERVICES - CODE ENFORCEMENT	30.0	35.0	40.0	5.0
LAND USE SERVICES - FIRE HAZARD ABATEMENT	21.0	22.0	22.0	0.0
PUBLIC WORKS - SURVEYOR	42.4	41.9	41.9	0.0
REAL ESTATE SERVICES	24.0	24.0	24.0	0.0
REGIONAL PARKS	117.1	118.1	127.6	9.5
REGISTRAR OF VOTERS	39.2	40.1	40.0	(0.1)
SUBTOTAL GENERAL FUND	721.8	752.7	791.3	38.6
<u>OTHER FUNDS</u>				
COUNTY LIBRARY	209.0	215.8	226.2	10.4
COUNTY MUSEUM - MUSEUM STORE	2.2	2.0	1.8	(0.2)
FLEET MANAGEMENT - GARAGE	97.0	96.4	92.0	(4.4)
FLEET MANAGEMENT - MOTOR POOL	4.0	4.0	4.0	0.0
PUBLIC WORKS - ROAD OPERATIONS	368.0	367.4	386.5	19.1
PUBLIC WORKS - SOLID WASTE MANAGEMENT	84.8	84.2	95.8	11.6
REGIONAL PARKS - CALICO GHOST TOWN MARKETING SVCS	1.0	1.0	1.0	0.0
REGIONAL PARKS - CAMP BLUFF LAKE	7.6	3.9	1.5	(2.4)
REGIONAL PARKS - COUNTY TRAIL SYSTEM	5.0	5.0	0.0	(5.0)
REGIONAL PARKS - SNACK BARS	1.3	1.3	1.3	0.0
SUBTOTAL OTHER FUNDS	779.9	781.0	810.1	29.1
TOTAL PUBLIC AND SUPPORT SERVICES GROUP	1,501.7	1,533.7	1,601.4	67.7
TOTAL COUNTY DEPARTMENTS - GENERAL FUND	12,032.4	12,602.0	12,913.1	311.1
TOTAL COUNTY DEPARTMENTS - OTHER FUNDS	4,478.4	4,526.5	4,688.1	161.6
COUNTY DEPARTMENTS GRAND TOTAL	16,510.8	17,128.5	17,601.2	472.7



CAPITAL IMPROVEMENT PROGRAM

The County's Capital Improvement Program includes construction, rehabilitation and repair projects for numerous facilities and structures.

The capital project funds listed in the appropriation summary schedules in this Budget Summary and presented in the chart below represent those managed by the Architecture and Engineering Department and accounted for in the two funds, CJV and CJS. The County has several other capital projects that are accounted for in various special revenue funds belonging to the respective project departments, such as Airports, Regional Parks, and the Department of Public Works Solid Waste Management and Transportation Divisions.

In the 2006-07 final budget \$60.4 million in new projects are funded, primarily using County discretionary funds. Major new projects include \$5.2 million for the renovation of Central Juvenile Hall in San Bernardino, \$4.6 million towards the expansion of the Adelanto Adult Detention Center, \$6.0 million for the expansion of the Fontana Government Center, \$4.0 million to fund a Community Center in the City of Chino Hills, and \$2.7 million for the expansion of the Hall of Geological Wonders at the County Museum in Redlands.

Projects approved in prior years but not yet completed total an additional \$127.6 million. The three major carryover projects are the \$40.9 million seismic retrofit and remodel of the historic County Courthouse in San Bernardino to be funded primarily by an existing civil filing fee surcharge, a \$30 million remodel of the 6th floor of the Arrowhead Regional Medical Center in Colton, to convert the floor from administrative space to a medical/surgical wing, and the \$23.7 million acquisition and renovation of the 303 W. 3rd Street office building in San Bernardino.

Capital Project Funds

		Nbr of Projects	General Fund Local Cost	Other Discretionary Funding	Restricted Funding	Total
New Projects						
Contribution to Other Agencies	CJV	7	3,166,000	-	-	3,166,000
Contributions to Non-Owned Projects	CJV	3	85,000	-	-	85,000
Structures and Improvements	CJV	80	49,365,000	5,416,000	2,350,000	57,131,000
Total New Projects		90	52,616,000	5,416,000	2,350,000	60,382,000
Carryover Projects						
Contribution to Other Agencies	CJV	19	8,022,500	-	-	8,022,500
Structures and Improvements	CJV	161	30,352,259	42,659,642	46,376,736	119,388,637
High Desert Juvenile Detention Center	CJS	1	172,075	-	-	172,075
Total Carryover Projects		181	38,546,834	42,659,642	46,376,736	127,583,212
Total Capital Project Funds		271	91,162,834	48,075,642	48,726,736	187,965,212

For a complete listing of capital improvement program highlights in all funds, please refer to the Capital Improvement Program Section of this Budget Book.



GENERAL FUND FINANCING

County general fund operations are financed with four major types of financing sources: departmental program revenue, Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue.

Departmental program revenue includes fees, service charges, and state and federal support for programs such as welfare, health care, and behavioral health. Proposition 172 revenue is restricted and is used solely for financing the Sheriff, District Attorney, and Probation departments. Realignment revenue is also restricted and used in financing mental health, social services and health programs within the County.

The balance of departmental costs not funded by departmental program revenue, Proposition 172 revenue, and/or Realignment revenue is considered local cost. Local cost is funded by countywide discretionary revenue, which is primarily property tax revenue.

Any countywide discretionary revenue not distributed to departments via local cost is placed in contingencies. Every year the County of San Bernardino has set aside a prudent dollar amount in contingencies and reserves for two purposes. One is to ensure that the county can accommodate unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the county. The second purpose is to be proactive and set aside funds to meet future known obligations or to build a reserve for large capital projects.

The following pages describe in more detail Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue that assists in financing general fund departments. In addition, detailed information is included on the contributions and uses of county general fund contingencies and reserves for 2005-06 and the approved contributions and uses of general fund contingencies and reserves for 2006-07.

REALIGNMENT

In 1991 the state shifted responsibility for a number of mental health, social services, and health programs to counties. This shift, known as Realignment, resulted in the creation of two dedicated funding streams to pay for the shifted services: a ½ cent Sales Tax and 24.33% of Vehicle License Fee (VLF) revenues made available by a change in the depreciation schedule for vehicles. Pursuant to SB 1096, Chapter 21, Statutes of 2004, the Vehicle License Fee was reduced from 2.0% of the market value of a vehicle to 0.65% of the market value. SB 1096 also changed the percentage of the VLF revenue allocated to Realignment from 24.33% to 74.9%. This change did not result in increased VLF revenues to Realignment, but simply reflects the same funding amount expressed as a percentage of the reduced revenue collected. Each of the three service areas identified was required to have their own separate accounts established and each of those service areas receive a different share of statewide Realignment revenues.

Within the mental health area, the programs for which the county is now responsible are: community-based mental health programs, State Hospital services for county patients, and Institutions for Mental Disease. Within the social services area, the programs for which the county is now responsible are: the county revenue stabilization program and the county justice subvention program. Within the health area, the programs for which the county is now responsible are: AB8 county health services, local health services, medically indigent services, and the county medical services program.

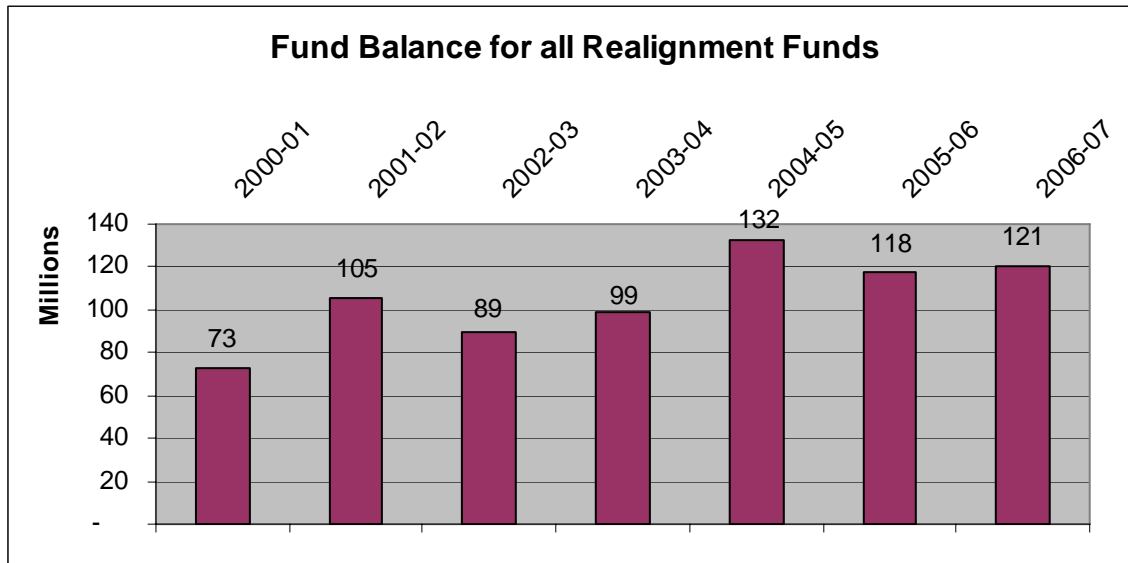
In addition to these shifted responsibilities, a number of programs had changes made to their cost sharing ratios. Below are the programs that had cost sharing ratio changes (numbers are shown in percentages in the order of state/county shares of cost). For example, prior to Realignment Foster Care costs were funded by 95% state resources and 5% county resources. Now Foster Care is funded by 40% state resources and 60% county resources, which is a significant impact to the county.

	From State/County	To State/County
Social Services programs:		
Foster Care	95/5	40/60
Child Welfare Services	76/24	70/30
Adoption Assistance	100/0	75/25
CalWORKs	89/11	95/5
County Services Block Grant	84/16	70/30
Greater Avenues for Independence	100/0	70/30
Social Services administration	50/50	70/30
In Home Supportive Services (IHSS)	97/3	65/35
Health programs:		
California Children's Services	75/25	50/50

The Realignment program has some flaws in its design that adversely impact County of San Bernardino revenues. First, is San Bernardino's status as an "under equity county," meaning that the county receives a lesser share of revenue relative to other counties based on population and estimated poverty population. Revenue distributions among counties were determined by expenditures in the programs that were transferred just prior to the adoption of Realignment. San Bernardino County was under equity in those programs. Realignment did attempt to address the inequity issue, but the effort fell short. The county continues to be under equity at this time and barring any legislative action the amount of inequity will increase over time. As growth occurs in the revenue streams, that incremental new funding is distributed on existing sharing arrangements between the counties. The counties that are already over equity get a higher percentage of the new revenue while those that are under equity get less.



In addition to the under equity issue is the fact that the demand for the services the county is providing and the revenue streams funding them are both sensitive to the economy. When the economy is doing well, demand for services is reduced and sales taxes and vehicle license fees revenues are high. When the economy does poorly, demand for services is high, but revenues under perform. The graph below shows the history of fund balance for all Realignment funds.



Fund balances have increased significantly since 2003-04. The increased fund balance in 2004-05 was driven by lower than expected expenditures in Behavioral Health, Probation, ARMC, and Foster Care. Additionally, sales tax growth revenue within the Social Services Fund for the year ending June 30, 2005 was significantly higher than anticipated.

Budget History for All Realignment Funds

	2004-05 ACTUAL	2005-06 BUDGET	2005-06 ACTUAL	2006-07 FINAL
Beginning Fund Balance	98,811,069	127,142,867	132,187,967	117,711,163
Revenue	192,990,301	194,837,344	203,174,384	212,247,973
Department Usage	159,613,403	204,962,160	217,651,188	209,101,739
Ending Fund Balance	<u>132,187,967</u>	<u>117,018,051</u>	<u>117,711,163</u>	<u>120,857,397</u>
Change in Fund Balance	33,376,898	(10,124,816)	(14,476,804)	3,146,234

The schedule above shows the impact of the unexpected revenue growth from sales tax in the 2004-05 fiscal year as reflected in the difference between the 2005-06 Budgeted Beginning Fund Balance of \$127.1 million to the 2005-06 Actual Beginning Fund Balance of \$132.2 million. The 2004-05 sales tax growth revenues become a part of the revenue base for 2005-06 and beyond, resulting in estimated revenue of \$203.2 million in 2005-06 and \$212.2 million in 2006-07. It is important to note that growth revenues for a particular year do not come in until up to 7 months after the close of the year, so revenues shown in the 2005-06 Actual column still reflect an estimate of growth for the 2005-06 year. Beginning fund balances and departmental expenditures in that column do reflect actuals.



SUMMARY OF REALIGNMENT BUDGET UNITS FOR 2006-07

	Estimated Beginning Fund Balance	Budgeted Revenue	Budgeted Departmental Usage	Budgeted 10% Transfers	Estimated Ending Fund Balance	Estimated Change in Fund Balance
Mental Health	51,360,727	61,977,359	67,673,293	-	45,664,793	(5,695,934)
Social Services	26,566,979	87,826,701	76,433,144	-	37,960,536	11,393,557
Health	39,783,457	62,443,913	64,995,302	-	37,232,068	(2,551,389)
Total	117,711,163	212,247,973	209,101,739	-	120,857,397	3,146,234

The Realignment budgets do not directly spend funds or provide service. They are strictly financing budgets with the actual expenditures occurring within the operating budget units of the departments that receive Realignment revenue.

The Realignment legislation does allow for some flexibility in usage of funds at the county level. Upon action by the Board of Supervisors, a county can transfer 10% of a given year's revenue from one fund to another. San Bernardino County has used the provision repeatedly over the years to help support either the health or social services programs. The County did not do a 10% transfer in 2005-06 and is not budgeting one for 2006-07. However, in the event that such transfer is needed, Board of Supervisors approval is required.

The next three pages contain the breakdown of the three individual Realignment funds.



Mental Health

	2004-05 ACTUAL	2005-06 BUDGET	2005-06 ACTUAL	2006-07 FINAL
Beginning Fund Balance	28,688,639	44,253,797	45,024,101	51,360,727
Revenue	58,275,110	60,265,645	60,047,565	61,977,359
Department Usage	41,939,648	62,806,720	53,710,939	67,673,293
10% Transfers	-	-	-	-
Ending Fund Balance	45,024,101	41,712,722	51,360,727	45,664,793
Change in Fund Balance	16,335,462	(2,541,075)	6,336,626	(5,695,934)

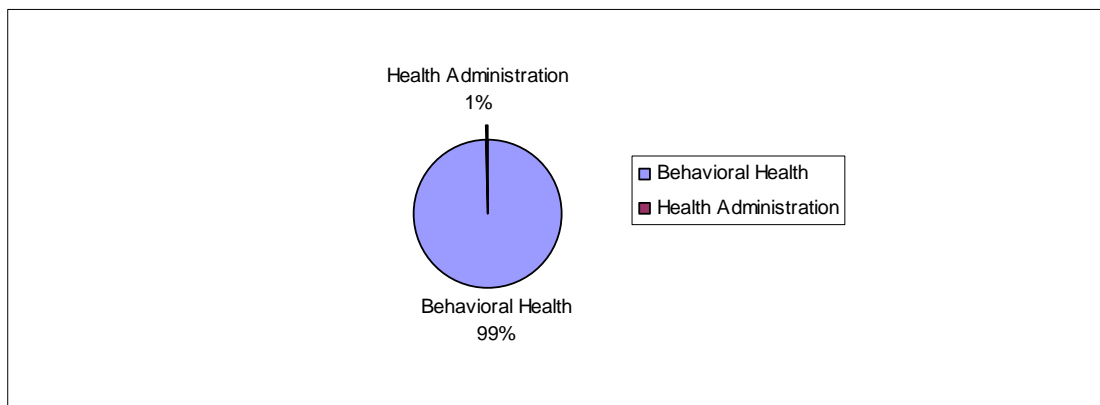
Mental Health realignment revenue is currently composed of 57% sales tax and 43% vehicle license fees. Revenue is expected to climb very slowly since any growth in sales tax will be dedicated to Social Services to fund caseload growth.

In 2005-06 Behavioral Health's usage of realignment funds was less than anticipated resulting in an increased fund balance of \$6.3 million as opposed to a budgeted use of \$2.5 million of fund balance. For 2006-07 the Mental Health fund is budgeted to spend \$5.7 million of fund balance. The Department of Behavioral Health and the County Administrative Office will need to closely monitor this budget over the next few years to ensure that ongoing expenditures and ongoing revenues stay in line whenever possible. This is made difficult by the known future increases resulting from MOU negotiations coupled with limited growth in realignment revenue due to Social Services continued draw of all sales tax realignment growth revenue.

Prior to the sales tax shortfalls in Social Services, Mental Health realignment revenues were composed roughly 66% sales tax and 34% vehicle license fees versus the current 57%/43%. That shift has occurred entirely because of the Social Services funds priority claim on sales tax growth to pay for increasing caseloads.

Breakdown of Department Usage of Mental Health Realignment

	2004-05 ACTUAL	2005-06 BUDGET	2005-06 ACTUAL	2006-07 FINAL
Behavioral Health	41,823,063	62,490,106	53,311,325	67,252,313
Health Administration	116,585	316,614	399,614	420,980
Total Department Usage	41,939,648	62,806,720	53,710,939	67,673,293



Social Services

	2004-05 ACTUAL	2005-06 BUDGET	2005-06 ACTUAL	2006-07 FINAL
Beginning Fund Balance	13,962,929	10,773,422	14,519,258	26,566,979
Revenue	75,334,223	74,259,986	82,283,188	87,826,701
Department Usage	74,777,894	78,622,355	70,235,467	76,433,144
10% Transfers	-	-	-	-
Ending Fund Balance	14,519,258	6,411,053	26,566,979	37,960,536
Change in Fund Balance	556,329	(4,362,369)	12,047,721	11,393,557

Social Services realignment revenue is composed primarily of sales tax. The split is currently 96% sales tax and 4% vehicle license fees. In a drastic turnaround from prior years, sales tax coming in to Social Services realignment has grown dramatically. While this is good news, the growth has been insufficient to make up for prior years' shortfalls. Statewide, sales tax collections even in this very good year were \$169.2 million short of what was necessary to fund caseload growth within the mandated Social Services programs.

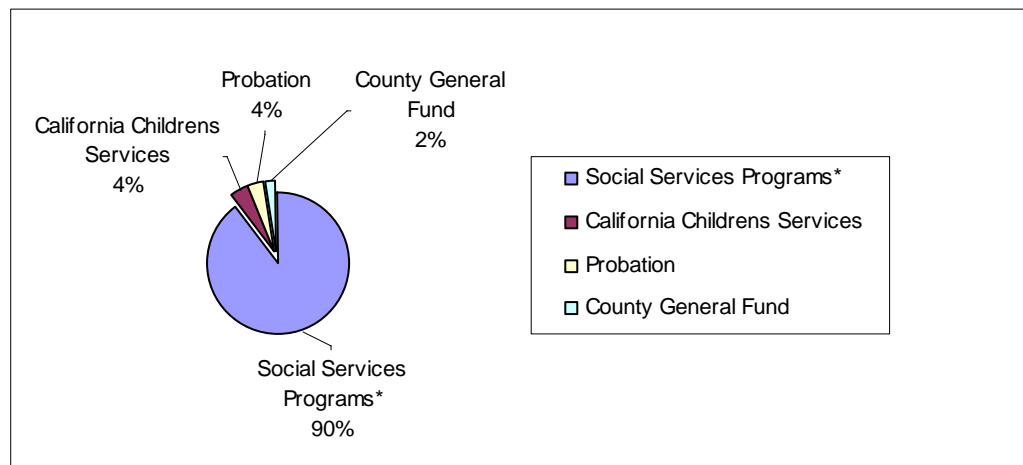
The County Administrative Office is projecting that statewide sales tax collection will be insufficient again in 2006-07 resulting in a shortfall of approximately \$9.7 million to San Bernardino County. While the Social Services fund continues to run a sales tax deficit, the Mental Health and Health funds will receive no growth on their sales tax base amounts resulting in continuing budget difficulty for those funds. Through June 30, 2006, it is projected that San Bernardino County will have lost approximately \$52.7 million as a result of sales tax shortfalls since the 2001-02 year when sales tax revenues actually declined on an annual basis.

The 2005-06 expenditures show a slight savings compared to budget. As indicated earlier, sales tax growth has been higher than expected resulting in significantly increased social services revenue. For the 2006-07 budget ongoing expense and ongoing revenue shows a surplus of \$11.4 million; however, this is based on continued assumed sales tax growth that may begin to feel pressure should the economy begin to slow.

Breakdown of Department Usage of Social Services Realignment

	2004-05 ACTUAL	2005-06 BUDGET	2005-06 ACTUAL	2006-07 FINAL
Social Services Programs*	71,204,252	72,584,684	62,722,858	68,580,269
California Childrens Services	1,923,420	1,538,041	3,012,979	3,353,245
Probation	-	2,700,630	2,700,630	2,700,630
County General Fund	1,799,000	1,799,000	1,799,000	1,799,000
Total Department Usage	74,926,672	78,622,355	70,235,467	76,433,144

* Soc. Svcs. Programs include: IHSS, Foster Care, Seriously Emotionally Disturbed, and Administrative Claim Matches



Health

	2004-05 ACTUAL	2005-06 BUDGET	2005-06 ACTUAL	2006-07 FINAL
Beginning Fund Balance	56,159,501	72,115,648	72,644,608	39,783,457
Revenue	59,380,968	60,311,713	60,843,631	62,443,913
Department Usage	42,895,861	63,533,085	93,704,782	64,995,302
10% Transfers	-	-	-	-
Ending Fund Balance	72,644,608	68,894,276	39,783,457	37,232,068
Change in Fund Balance	16,485,107	(3,221,372)	(32,861,151)	(2,551,389)

As in the Mental Health realignment revenues, Health funding continues to suffer due to the lack of sales tax growth available for anything other than social services. The impact in Health is not quite as significant given that Health is primarily funded with vehicle license fees at 74% with the remaining 26% coming from sales tax.

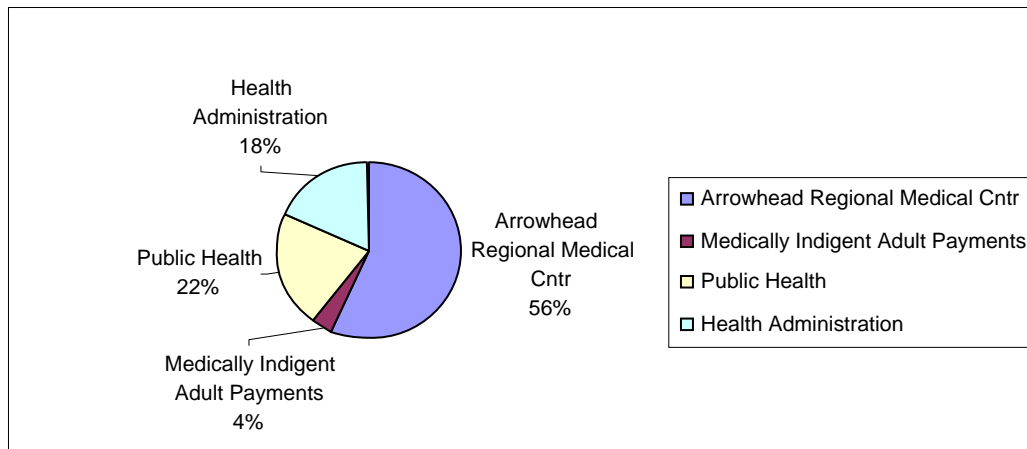
The 2006-07 budget reflects the use of \$2.6 million of fund balance. Cost pressures from ARMC pose a concern in the coming years as a result of the Medicare Waiver redesign, cost increases resulting from labor negotiations, and the continuing cost of meeting State mandated nurse to patient staffing ratios.

In 2005-06 the Board of Supervisors approved the use of \$30 million of the Health Realignment fund balance to convert the 6th floor of ARMC from administration to new inpatient beds. Associated projects are being explored to expand parking and create a new permanent home for the administrative staff displaced from the 6th floor remodel.

Additionally, Public Health funding and their subsequent need for realignment revenues continues to be a concern. State and Federal grant programs have failed to keep pace with rising employment and inflation costs.

Breakdown of Department Usage of Health Realignment
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	2004-05 ACTUAL	2005-06 BUDGET	2005-06 ACTUAL	2006-07 FINAL
Arrowhead Regional Medical Cntr	17,450,000	34,820,000	66,733,462	36,632,500
Medically Indigent Adult Payments	2,178,750	2,550,000	2,550,000	2,550,000
Public Health	12,974,075	14,995,159	11,008,999	14,164,292
Health Administration	10,441,476	11,167,926	13,412,321	11,648,510
Total Department Usage	43,044,301	63,533,085	93,704,782	64,995,302



Budgetary Note: Financial information presented in this Realignment budget section is consistent with state reporting requirements for the Realignment funds. The state's reporting requirements are not consistent with the county's implementation of GASB 34 as it relates to revenue accrual. As such, within the county's



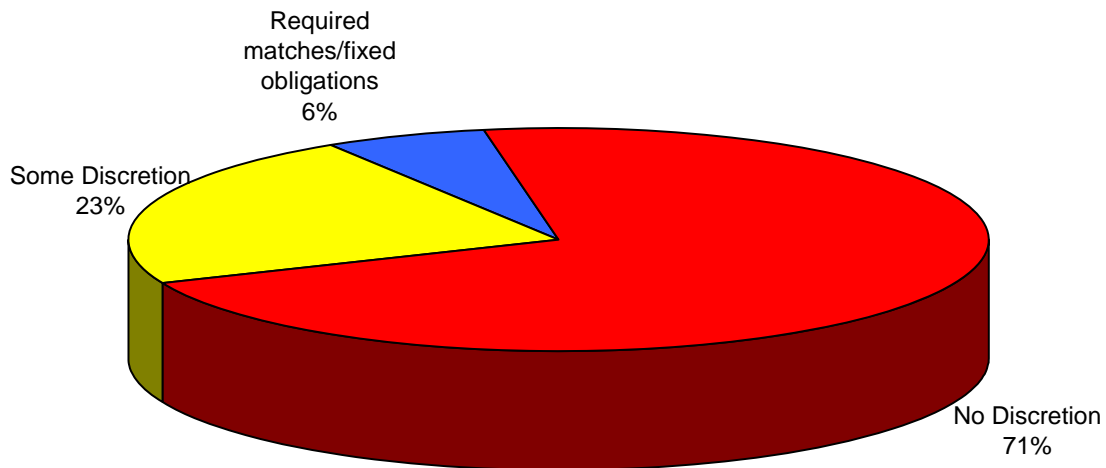
accounting system, an adjustment will be made to show the correct revenues in accordance with the county's accrual procedures. This is a revenue timing issue only as a result of delays by the state in distributing sales tax growth revenue.



COUNTYWIDE DISCRETIONARY REVENUE

The entire general fund budget is \$2.3 billion, however, the Board of Supervisors has no discretion on \$1.6 billion of this amount as seen in this pie chart.

2006-07 Final Budget General Fund Spending

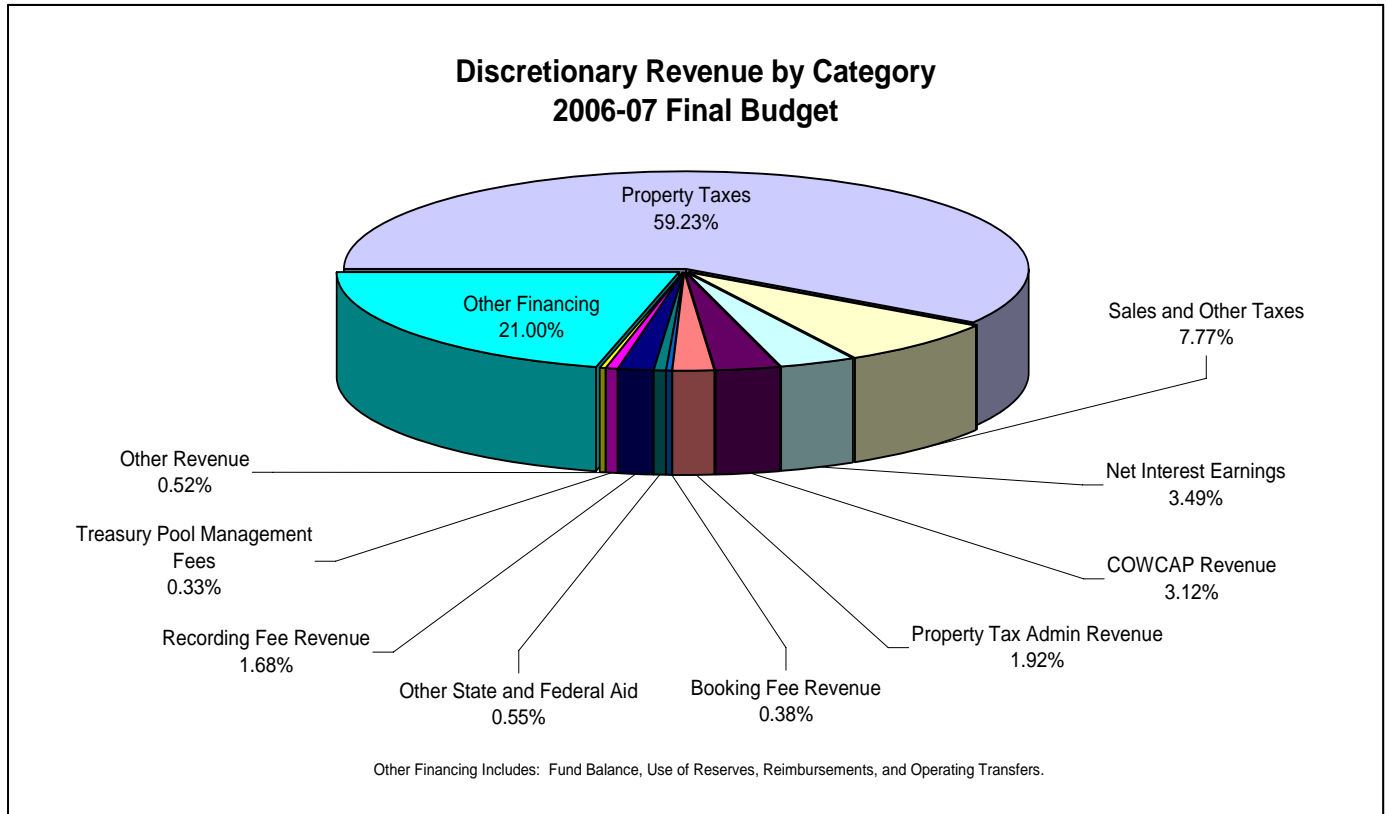


SPENDING WHERE THE BOARD HAS NO DISCRETION. INCLUDES:		1,649,081,646
Welfare costs reimbursed by state and federal monies (\$740.7 million)		
Other program costs funded by program revenues such as user fees (\$908.4 million)		
REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS:		140,833,318
SPENDING WHERE THE BOARD HAS SOME DISCRETION. INCLUDES:		523,189,492
Reserve / Contingencies Contributions (\$76.0 million)		
Law and justice program costs funded by local revenues (\$252.6 million)		
All other program costs funded by local revenues (\$194.6 million)		
TOTAL:		\$2,313,104,456

The Board of Supervisors has authority over the countywide discretionary revenue, which totals \$664,022,810. This countywide discretionary revenue is first obligated to pay for the required health and welfare matches and other fixed obligations, which total \$140,883,318. The remaining amount of \$523,189,492 is available for the Board's discretion and finances departmental budgets' local cost.



Shown below are the sources of the countywide discretionary revenue for 2006-07, which total \$664,022,810:



COUNTYWIDE DISCRETIONARY REVENUE WHICH PAY FOR GENERAL FUND LOCAL COST

	2004-05 Final Budget	2005-06 Final Budget	2005-06 Actual	2006-07 Final Budget
Countywide Discretionary Revenue				
Property Taxes:				
Current Secured, Unsecured, Unitary	137,207,735	139,341,353	147,020,287	186,170,860
VLF/Property Tax Swap	-	148,442,703	168,525,075	187,409,286
Supplemental Property Tax	5,275,827	8,746,613	25,049,987	14,000,000
Penalty on Current Taxes	1,135,599	1,938,095	2,906,645	1,938,095
Prior Property Taxes, Penalties and Interest	5,366,233	7,222,648	4,881,788	3,806,646
Total Property Taxes	148,985,394	305,691,412	348,383,782	393,324,887
Sales and Other Taxes:				
Sales and Use Tax	17,371,802	18,758,333	22,930,317	23,075,676
Property Transfer Tax	11,906,555	14,948,345	17,855,238	19,936,370
Franchise Fees	5,533,000	6,045,934	6,441,428	6,715,000
Hotel/Motel Tax	1,176,978	1,176,978	1,206,374	1,176,978
Other Taxes	545,455	700,000	722,498	700,000
Total Sales and Other Taxes	36,533,790	41,629,590	49,155,855	51,604,024
Vehicle License Fees	129,971,160	-	-	-
Net Interest Earnings	16,351,000	21,872,000	35,083,030	23,154,000
COWCAP Revenue	19,661,157	20,228,548	20,228,547	20,739,704
Property Tax Admin Revenue	10,651,703	10,219,145	14,058,959	12,773,384
Recording Fee Revenue	-	-	9,919,242	11,167,902
Other State and Federal Aid	3,619,799	3,593,326	7,289,241	3,647,156
Booking Fee Revenue	3,937,000	-	2,837,174	2,500,000
Treasury Pool Management Fees	-	-	-	2,219,195
Other Revenue	2,430,000	2,430,000	2,968,054	3,430,000
Total Countywide Discretionary Revenue	372,141,003	405,664,021	489,923,883	524,560,252
Other Financing Sources				
Fund Balance, beginning	88,029,109	121,637,030	121,637,030	100,698,815
Reimbursements	-	583,586	583,586	583,586
Use of Reserves	1,154,301	2,253,702	9,688,547	6,063,708
Operating Transfers	27,738,406	24,344,825	20,880,087	32,116,449
Total Other Financing Sources	116,921,816	148,819,143	152,789,250	139,462,558
Total Countywide Discretionary Revenue and Other Financing Sources	489,062,819	554,483,164	642,713,133	664,022,810

For 2006-07 general fund financing includes Countywide Discretionary Revenues of \$524.6 million and Other Financing Sources of \$139.5 million.

Countywide Discretionary Revenues

Secured Property Tax

Secured Property Tax Revenues make up \$166.8 million of the \$186.2 million 2006-07 "Current Secured, Unsecured, Unitary" budgeted revenue number. This budgeted amount is projected using an estimated 19% increase in secured assessed valuation for 2006-07, translated to a 17% increase in secured property tax revenues for the County general fund. The 19% increase is based on estimates of assessed valuation growth provided by the County Assessor's office, and the estimates of a local economist. This revenue source is also increasing as a result of the elimination of a two-year local government contribution of property tax revenues to the State (ERAF III) that decreased the County's secured property tax revenues by \$16.4 million in both 2004-05 and 2005-06.



The table below compares the increase in secured assessed valuation for the last six years to the increase in secured property tax revenues of the general fund (adjusted for one-time revenue changes such as ERAF III).

Fiscal Year	Countywide Locally Assessed Secured AV	Percent Increase	County General Fund Secured Revenue - Adjusted	Percent Increase
2000-01	73,672,579,140		90,265,895	
2001-02	78,831,564,858	7.00%	96,419,313	6.82%
2002-03	85,194,704,924	8.07%	103,724,492	7.58%
2003-04	92,745,938,042	8.86%	114,005,166	9.91%
2004-05	103,488,544,441	11.58%	127,110,535	11.50%
2005-06	118,871,872,729	14.86%	143,559,894	12.94%
2006-07	141,392,463,582	18.95%		

As is evident in the table, county general fund revenues do not usually increase at the same rate as secured assessed valuation. This is not due to delinquent tax payments. The County participates in the Teeter method of property tax allocation for secured property tax revenues. Therefore the County, and all other agencies participating in the Teeter program, receive 100% of the secured property tax revenue to which they are entitled, regardless of payment status. Instead, the mismatch between assessed valuation growth and revenue growth can be caused in part by assessed valuations increasing at a different rate in cities than in the unincorporated areas of the County (where the County gets a larger share of the property tax revenue). Other reasons for this mismatch include:

Redevelopment Agency Allocations:

When a redevelopment project area is created, future increases in property tax revenues are allocated to the Redevelopment Agency, instead of being apportioned through the normal allocation process to the County, Cities, Schools and Special Districts. This results in a lowering of the County's percentage share of the total revenues generated by the secured property in the County. In some instances, this reduction in property tax revenues is partially offset by a pass through of a certain amount of these revenues back from the RDA to the County (and the other affected entities).

Incorporations/Annexations:

When a new city is created in the County, or when an existing city annexes additional land into its boundaries, the City takes on certain responsibilities for that geographic area that were previously the responsibility of the County and Special Districts. To fund this shift in responsibilities, the County, and any affected Special Districts, will have their share of property tax revenues reduced in favor of the City.

Based on these factors, the projected revenue increase for secured property tax revenues is 17% for 2006-07 which includes the estimated 19% growth in assessed valuation less 2% to account for the effects mentioned in the previous paragraphs.

VLF/Property Tax Swap

Historically, approximately three-fourths of Vehicle License Fee (VLF) revenue was allocated to cities and counties as general purpose financing. Beginning in Fiscal Year 1998-99, the State reduced the VLF payment required from vehicle owners. However, the State made up the revenue impact of the VLF rate reductions with State general fund revenue (the 'VLF Backfill').

The VLF Backfill was eliminated in the 2004-05 State budget. In that year the VLF Backfill to cities and counties was permanently replaced with an equivalent increase in property tax revenues (VLF/Property Tax Swap revenues). This increase was funded by decreases in property tax revenues allocated to schools and community colleges.

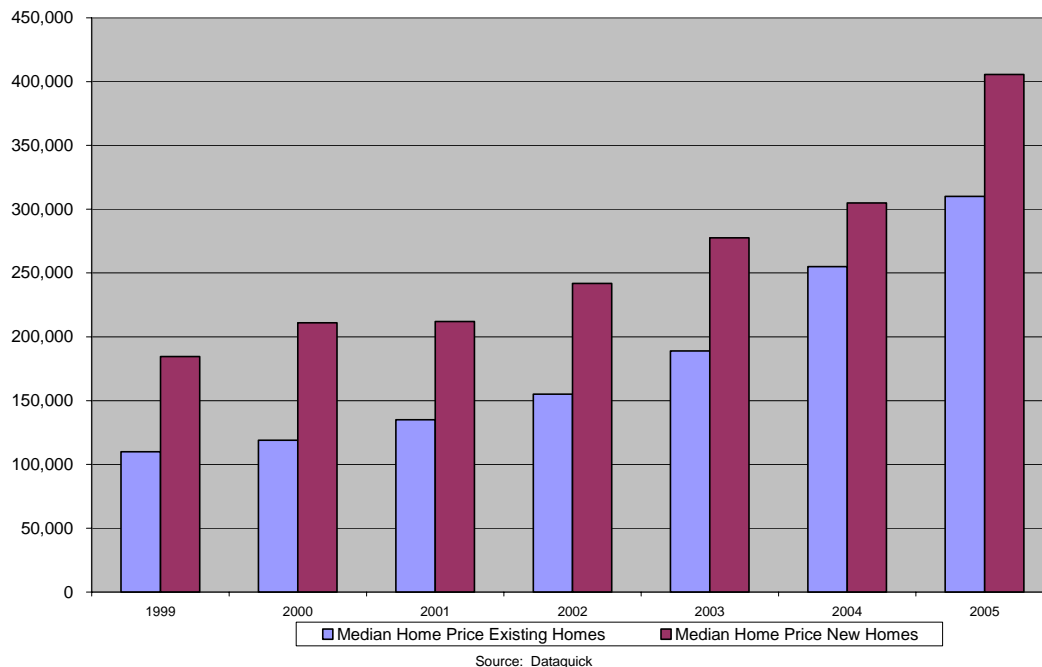


For 2004-05 the State established the base amount of the VLF/Property Tax Swap. The base is equal to the amount of VLF backfill that the counties and cities would have received in 2004-05, calculated using actual VLF receipt amounts for 2004-05. For years beginning in 2005-06, the VLF/Property Tax Swap amount is calculated using the prior year VLF/Property Tax Swap amount increased by a rate equal to the growth in assessed valuation. This growth rate includes both secured and unsecured assessed valuation, but excludes the growth rate of unitary valuations. For 2006-07, the County Assessor's Office estimates an increase in assessed valuation of 19% (the Assessor's estimate does not include Unitary valuations). This 19% rate is used to estimate the increase in the VLF/Property Tax Swap revenues in the 2006-07 budget.

Supplemental Property Tax

Supplemental Property Tax payments are required from property owners when there is an increase in the assessed valuation of their property after the property tax bill for that year has been issued. Generally there are two types of events that will require a supplemental property tax payment: a change in ownership or the completion of new construction. As a result, when property values have been increasing and sales activity is high, there will be an increase in the number and dollar amount of supplemental property tax bills, which will result in increased supplemental property tax revenues to the County. The opposite is true when home prices and sales volume is declining. In fact, when the sales price of a property is lower than the current assessed value of the property, a refund may be due to the property owner.

In recent years the County has been experiencing dramatic increases in housing sales and housing prices. The following chart illustrates the dramatic rise in housing prices for both new and existing homes.



In addition, sales of new and existing homes have risen from approximately 8,500 for the 3rd quarter of 1999 to approximately 11,500 for the 3rd quarter of 2005. These factors have contributed to a dramatic rise in supplemental property tax revenues to the general fund as shown in the schedule below.

Fiscal Year	Supplemental Property Tax Revenues	Percent Increase/ (Decrease)
1998-99	1,009,170	
1999-00	1,446,766	43.36%
2000-01	2,368,978	63.74%
2001-02	2,918,443	23.19%
2002-03	4,937,268	69.17%
2003-04	6,102,778	23.61%
2004-05	13,219,499	116.61%
2005-06	25,049,987	89.49%

In 2006 the housing market began to slow down. For the first seven months of 2006, new and existing home sales by month (as compared to the same month in the prior year) are down for every month except May. In addition, home prices are not rising as quickly as in recent years. Given the nature and large fluctuations of supplemental property tax revenues, it is likely that the County will experience a decline in this revenue if sales volume continues to fall. An offsetting factor is the impact of the VLF/Property Tax Shift on supplemental property tax revenues. Because of the nature of the VLF/Property Tax Swap, the Education Revenue Augmentation Fund (ERAF) no longer receives supplemental tax revenues. Supplemental tax revenues that would have gone to ERAF are instead contributed to counties and cities. As a result, the 2006-07 final budget includes estimated supplemental property tax revenues of \$14 million, approximately \$11 million less than 2005-06 actual revenues. This budgeted amount is the current estimate of the sustainable level of this revenue for the near future.

Sales and Use Tax

County discretionary revenues include 1% of the 7.75% sales tax rate charged on purchases made in the unincorporated areas of the County. In recent years, due to the strong housing market and resulting population increase, County discretionary sales tax revenues have increased significantly.

When preparing the annual budget, the County projects future sales tax revenues based on data provided by a local economist. For 2006-07 the economist has projected total sales tax revenues in the unincorporated area of \$28.0 million. The County has budgeted \$23.1 million. The major reasons for this difference include:

Sales Tax Sharing Agreement with the City of Redlands

In August of 2003, the County entered into a sales tax sharing agreement with the City of Redlands. Under the terms of this agreement, the City of Redlands provides government services to an unincorporated area of the County, and in return the County pays the city a percentage of the sales tax revenue generated in that geographical area. This geographic area has and continues to add, numerous retail establishments and generates a considerable amount of sales tax revenue. Under the terms of the sales tax sharing agreement, the County currently pays the City of Redlands 90% of the County's discretionary sales tax revenue generated in this area.

Potential Annexations and Incorporations

Based on recent estimates, approximately 56% of the County's discretionary sales tax revenue is generated in the unincorporated portion of the sphere's of influence of the 24 cities that are within the county's boundaries. A sphere of influence is a 'planning boundary within which a city or district is expected to grow into over time'. Therefore, the areas within these spheres are likely to be annexed, and once annexed, the discretionary sales tax revenue generated in that area will go to the city instead of the County. The County would also lose sales tax revenues if a community in the unincorporated area of the County decided to create a new city (incorporate).





Property Transfer Tax

The Property Transfer Tax is collected when any lands, tenements, or other realty sold within the County is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser. The tax is imposed when the value of the property exceeds \$100. The tax rate is \$ 0.55 for each \$500 of property value. For sales in the unincorporated areas of the County, the County receives 100% of the tax. For sales in cities, the County receives 50% of the tax. This revenue has increased dramatically over the last 5 years due to the high volume of housing sales and increasing housing prices. As shown in the table below this revenue has increased an average of 29.9% over the last five years.

Fiscal Year	Property Transfer Tax Revenue	Percent Increase/ (Decrease)	Five Year Average
2000-01	4,904,282		
2001-02	5,938,919	21.10%	
2002-03	7,752,989	30.55%	
2003-04	11,578,232	49.34%	
2004-05	15,184,960	31.15%	
2005-06	17,855,238	17.59%	29.94%

As seen in the table above, the increase in these revenues recently grew at a pace below the five year average in 2005-06. This is due to the slowdown in the local housing market. Because this revenue stream is dependent on the combination of sales prices and the number of sales transactions, it could conceivably decrease from current levels in future years. As a result, for the 2006-07 budget the county estimated that these revenues will be flat to the year end estimate for 2005-06.

Net Interest Earnings

Net interest earnings for 2006-07 are projected at \$23.2 million. The increase in this revenue source is attributable to an estimated increase in interest earnings from the treasury pool offset by decreased interest and penalty proceeds from the Teeter program.

COWCAP (County-Wide Cost Allocation Plan) Revenue

COWCAP revenue is reimbursement for overhead/indirect costs incurred by the general fund. Reimbursements are received from various state and federal grant programs (that permit such reimbursement) and fee supported general fund departments and taxing entities such as the library and Board-governed special districts. The budgeted COWCAP Revenue amount reflects the recovered allowable costs included in the 2006-07 countywide cost allocation plan (COWCAP) published by the Auditor/Controller.

Property Tax Admin Revenue

Property Tax Administration revenue is expected to grow slightly from prior year budget. Property Tax Administration revenue consists of:

- SB 813 cost reimbursement, which represents allowable charges for administration and operation of the supplemental property tax program. This reimbursement is tied directly to the performance of supplemental property tax revenue.
- The property tax administrative fee, which the legislature provided to allow counties to recover the cost of the property assessment and tax collection process from certain other local jurisdictions. This revenue is tied directly to the cost of that collection effort.

Recording Fee Revenue

The County Recorder's Office collects certain fees for the official recording of documents. In previous fiscal years, this revenue was budgeted in the Auditor/Controller-Recorder's budget unit. Due to the unpredictable nature of the recording fee revenue and the County Administrative Office's concern for stabilization of departmental financing, the Board approved placing the recording fee revenue in the countywide discretionary revenue.



State and Federal Aid

State and Federal aid consists of a payment from the welfare realignment trust fund, which replaced the state revenue stabilization program, and SB90 reimbursements from the state. It also includes revenues received from the Federal government's Payment in Lieu of Taxes (PILT) program. Under current law, local governments are compensated through various programs for losses to their tax bases due to the presence of most federally owned land. PILT for the county is expected to grow slightly over the 2005-06 budgeted amount. 2005-06 actual revenues in State and Federal Aid include \$3.5 million in prior year SB90 reimbursements from the State.

Booking Fee Revenue

State law currently provides the Board of Supervisors with the authority to assess booking fees. In 2005-06, the maximum fee imposed by counties was limited to one-half of actual administrative costs, including allowable overhead, with no reimbursement to other agencies for costs incurred. Recently, the state adopted legislation to begin in 2007-08, whereby local detention funds would be established in each county, to be funded by an annual allocation in the state budget—in lieu of counties charging for booking costs. Under this plan, the state would reimburse cities and other entities for the booking fee costs they incur in the interim, during 2006-07. Should the state not be in a position to provide the agreed upon funding in some future year, San Bernardino County will retain the right to charge booking fees as provided for under current law. For 2006-07 the budget is calculated based on a rate approved by the Board of Supervisors.

Treasury Pool Management Fees

Beginning in 2006-07 discretionary revenue includes cost reimbursement for the management of the County's investment pool, which is projected to total \$2.2 million. In prior fiscal years, this revenue was budgeted in the Treasurer/Tax Collector's budget unit.

Other Revenue

Other revenue includes overhead charges recovered through city law enforcement contracts with the Sheriff's Department, voided warrants issued by the county, projected transfers of unclaimed property tax refunds to the general fund, the county share of vehicle code violation revenue, and other miscellaneous revenues.

Other Financing Sources

Fund Balance and Reimbursements

The 2005-06 year-end fund balance for the general fund is \$100,698,815. Reimbursements of \$0.6 million relating to the county reorganization are anticipated.

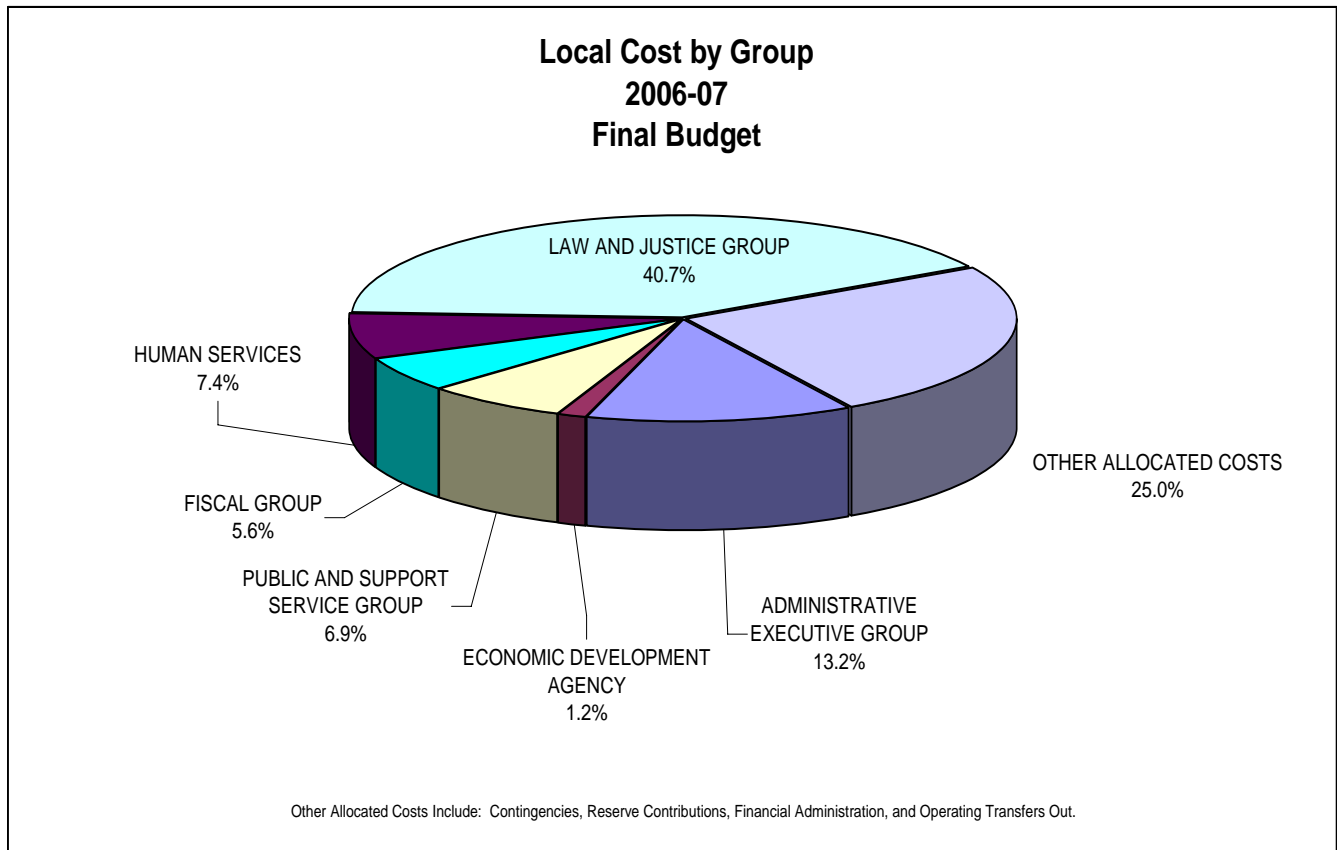
Use of Reserves

Planned uses of reserves include \$2.8 million of the Business Process Improvement Reserve to fund the following projects: Sheriff's Laboratory Information Management System, Probation's Kiosk Reporting System, County Library's Customer Self Sufficiency / Radio Frequency Identification System, and the Assessor's Imaging System. Additionally, \$1.5 million of the Equity Pool reserve will fund equity cost increases. The elimination of the Law and Justice Southwest Border Patrol Initiative reserve results in a transfer of the remaining balance of \$1.7 million to a special revenue fund.

Operating Transfers In

Operating transfers include transfers from the Courthouse and Criminal Justice Construction funds of \$4.1 million to finance debt service on the Foothill Law and Justice Center, transfers from the Arrowhead Regional Medical Center of \$6.8 million from their settlement proceeds, transfer of unused HAVA funds of \$2.3 million to be placed in the electronic voting reserve, and \$18.9 million of tobacco settlement funds, of which \$15.0 million is to be applied towards the Arrowhead Regional Medical Center Debt Service.

Countywide discretionary revenues are allocated to various county departments as local cost. The pie chart below shows what percentage of the local cost is allocated to each of the groups.



The schedule on the following pages shows a comparison of prior year local cost and current year local cost by department. This schedule also includes appropriation and revenue, including operating transfers, which are mechanisms to move financing between the various county budget units. Operating transfers are presented in the following chart because the intended purpose is to provide a complete picture of the department's appropriation and revenue. Operating transfers are excluded from the countywide appropriation and revenue summaries presented in the Budget Summary Section, as their inclusion would overstate countywide appropriation and revenue on a consolidated basis.



Department Title	2005-06 Final Budget:			2006-07 Final Budget:			Change Between 2005-06 Final & 2006-07 Final:		
	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost
BOARD OF SUPERVISORS (ALL DISTRICTS)	5,039,972	-	5,039,972	6,107,437	-	6,107,437	1,067,465	-	1,067,465
BOARD OF SUPERVISORS - LEGISLATION	452,315	-	452,315	480,950	-	480,950	28,635	-	28,635
CLERK OF THE BOARD	1,041,634	79,875	961,759	1,288,039	101,209	1,186,830	246,405	21,334	225,071
COUNTY ADMINISTRATIVE OFFICE	2,951,892	-	2,951,892	4,265,651	-	4,265,651	1,313,759	-	1,313,759
COUNTY ADMINISTRATIVE OFFICE - FRANCHISE ADMIN	273,394	-	273,394	295,845	-	295,845	22,451	-	22,451
COUNTY ADMINISTRATIVE OFFICE - LITIGATION	363,681	-	363,681	388,681	-	388,681	25,000	-	25,000
COUNTY ADMINISTRATIVE OFFICE - JOINT POWERS LEASES	21,737,293	-	21,737,293	21,137,293	-	21,137,293	(600,000)	-	(600,000)
COUNTY ADMINISTRATIVE OFFICE - HEALTH ADMIN	156,520,540	141,520,540	15,000,000	157,188,824	142,188,824	15,000,000	668,284	668,284	-
COUNTY COUNSEL	8,824,331	5,348,111	3,476,220	10,640,844	6,051,944	4,588,900	1,816,513	703,833	1,112,680
HUMAN RESOURCES	5,547,109	302,500	5,244,609	7,010,040	302,500	6,707,540	1,462,931	-	1,462,931
HUMAN RESOURCES-EMPLOYEE HEALTH AND WELLNESS	104,200	104,200	-	972,404	635,404	337,000	868,204	531,204	337,000
HUMAN RESOURCES-UNEMPLOYMENT INSURANCE	4,000,000	-	4,000,000	4,000,000	-	4,000,000	-	-	-
INFORMATION SERVICES-APPLICATIONS DEVELOPMENT	12,670,613	5,468,678	7,201,935	13,595,036	4,832,240	8,762,796	924,423	(636,438)	1,560,861
PURCHASING	1,094,019	35,000	1,059,019	1,235,858	35,000	1,200,858	141,839	-	141,839
BEHAVIORAL HEALTH	126,367,241	124,524,488	1,842,753	164,822,242	162,979,489	1,842,753	38,455,001	38,455,001	-
BEHAVIORAL HEALTH - ALCOHOL AND DRUG SERVICES	19,104,240	18,954,782	149,458	19,782,871	19,633,413	149,458	678,631	678,631	-
PUBLIC HEALTH	81,491,061	80,354,979	1,136,082	81,277,158	78,976,899	2,300,259	(213,903)	(1,378,080)	1,164,177
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	14,008,854	12,470,813	1,538,041	17,604,866	14,251,621	3,353,245	3,596,012	1,780,808	1,815,204
PUBLIC HEALTH - INDIGENT AMBULANCE	472,501	-	472,501	472,501	-	472,501	-	-	-
LOCAL AGENCY FORMATION COMMISSION	182,000	-	182,000	231,000	-	231,000	49,000	-	49,000
COUNTY SCHOOLS	2,235,087	-	2,235,087	2,918,131	-	2,918,131	683,044	-	683,044
ADMIN/EXECUTIVE GROUP SUBTOTAL:	464,481,977	389,163,966	75,318,011	515,715,671	429,988,543	85,727,128	51,233,694	40,824,577	10,409,117
ECONOMIC DEVELOPMENT	4,039,579	-	4,039,579	7,884,668	2,000	7,882,668	3,845,089	2,000	3,843,089
ECONOMIC DEVELOPMENT AGENCY SUBTOTAL:	4,039,579	-	4,039,579	7,884,668	2,000	7,882,668	3,845,089	2,000	3,843,089
ASSESSOR	13,665,978	647,500	13,018,478	17,559,215	820,000	16,739,215	3,893,237	172,500	3,720,737
AUDITOR-CONTROLLER	16,210,646	14,283,328	1,927,318	18,246,993	5,614,812	12,632,181	2,036,347	(8,668,516)	10,704,863
TREASURER-TAX COLLECTOR	18,295,073	14,955,679	3,339,394	19,863,932	13,022,442	6,841,490	1,568,859	(1,933,237)	3,502,096
FISCAL GROUP SUBTOTAL:	48,171,697	29,886,507	18,285,190	55,670,140	19,457,254	36,212,886	7,498,443	(10,429,253)	17,927,696
COUNTY TRIAL COURTS - DRUG COURT PROGRAMS	503,459	503,459	-	299,433	299,433	-	(204,026)	(204,026)	-
COUNTY TRIAL COURTS - GRAND JURY	316,921	-	316,921	333,956	-	333,956	17,035	-	17,035
COUNTY TRIAL COURTS - INDIGENT DEFENSE	8,104,078	-	8,104,078	8,979,100	-	8,979,100	875,022	-	875,022
COUNTY TRIAL COURTS - COURT FAC/JUDICIAL BENEFITS	1,847,440	-	1,847,440	1,637,427	-	1,637,427	(210,013)	-	(210,013)
COUNTY TRIAL COURTS-COURT FACILITY PAYMENTS	-	-	-	57,300	-	57,300	57,300	-	57,300
COUNTY TRIAL COURTS - MAINTENANCE OF EFFORT	35,725,112	25,098,622	10,626,490	31,782,490	21,156,000	10,626,490	(3,942,622)	(3,942,622)	-
DISTRICT ATTORNEY - CRIMINAL	44,854,137	28,084,043	16,770,094	51,315,220	32,481,610	18,833,610	6,461,083	4,397,567	2,063,516
DISTRICT ATTORNEY - CHILD ABDUCTION	843,475	-	843,475	850,475	850,475	-	7,000	850,475	(843,475)
LAW & JUSTICE GROUP ADMINISTRATION	379,229	255,000	124,229	147,302	5,000	142,302	(231,927)	(250,000)	18,073
PROBATION-ADMIN, CORRECTIONS & DETENTION	91,357,847	43,902,844	47,455,003	105,046,634	45,428,918	59,617,716	13,688,787	1,526,074	12,162,713
PROBATION-COURT ORDERED PLACEMENTS	2,926,330	-	2,926,330	3,808,330	-	3,808,330	882,000	-	882,000
PUBLIC DEFENDER	23,495,540	700,000	22,795,540	28,862,282	1,600,000	27,262,282	5,366,742	900,000	4,466,742
SHERIFF	338,515,894	230,440,703	108,075,191	376,188,213	242,597,731	133,590,482	37,672,319	12,157,028	25,515,291
LAW AND JUSTICE GROUP SUBTOTAL:	548,869,462	328,984,671	219,884,791	609,308,162	344,419,167	264,888,995	60,438,700	15,434,496	45,004,204



Department Title	2005-06 Final Budget:			2006-07 Final Budget:			Change Between 2005-06 Final & 2006-07 Final:		
	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost
PUBLIC AND SUPPORT SERVICES GROUP ADMIN	1,449,297	-	1,449,297	1,925,919	-	1,925,919	476,622	-	476,622
AGRICULTURE, WEIGHTS AND MEASURES	5,467,715	3,554,951	1,912,764	6,198,976	3,855,178	2,343,798	731,261	300,227	431,034
AIRPORTS	2,553,961	2,553,961	-	2,880,410	2,880,410	-	326,449	326,449	-
ARCHITECTURE AND ENGINEERING	585,320	-	585,320	585,320	-	585,320	-	-	-
COUNTY MUSEUMS	3,861,744	2,222,317	1,639,427	4,099,202	1,979,149	2,120,053	237,458	(243,168)	480,626
FACILITIES MANAGEMENT DEPARTMENT	14,414,161	6,211,352	8,202,809	16,197,204	6,900,616	9,296,588	1,783,043	689,264	1,093,779
FACILITIES MANAGEMENT DEPARTMENT - UTILITIES	16,079,526	-	16,079,526	16,654,565	246,355	16,408,210	575,039	246,355	328,684
LAND USE SERVICES - ADMINISTRATION	4,300	4,300	-	-	-	-	(4,300)	(4,300)	-
LAND USE SERVICES - CURRENT PLANNING	2,777,501	2,777,501	-	3,253,190	3,253,190	-	475,689	475,689	-
LAND USE SERVICES - ADVANCED PLANNING	3,444,907	2,259,002	1,185,905	3,963,886	2,287,138	1,676,748	518,979	28,136	490,843
LAND USE SERVICES - BUILDING AND SAFETY	8,704,085	8,704,085	-	9,870,995	9,870,995	-	1,166,910	1,166,910	-
LAND USE SERVICES - CODE ENFORCEMENT	3,575,482	678,000	2,897,482	4,519,923	767,530	3,752,393	944,441	89,530	854,911
LAND USE SERVICES - FIRE HAZARD ABATEMENT	2,545,738	2,545,738	-	2,617,148	2,617,148	-	71,410	71,410	-
PUBLIC WORKS-SURVEYOR	4,002,236	3,802,726	199,510	4,432,992	4,233,482	199,510	430,756	430,756	-
REAL ESTATE SERVICES	2,360,874	1,549,650	811,224	2,514,897	1,510,344	1,004,553	154,023	(39,306)	193,329
REAL ESTATE SERVICES - RENTS	211,592	45,912	165,680	109,290	109,290	-	(102,302)	63,378	(165,680)
REGIONAL PARKS	7,546,495	6,282,959	1,263,536	8,482,731	6,603,530	1,879,201	936,236	320,571	615,665
REGISTRAR OF VOTERS	5,489,021	2,557,200	2,931,821	13,163,095	9,462,107	3,700,988	7,674,074	6,904,907	769,167
PUBLIC AND SUPPORT SVCS GRP SUBTOTAL:	85,073,955	45,749,654	39,324,301	101,469,743	56,576,462	44,893,281	16,395,788	10,826,808	5,568,980
AGING AND ADULT SERVICES	8,839,639	8,839,639	-	10,602,940	10,602,940	-	1,763,301	1,763,301	-
AGING AND ADULT SERVICES - PUBLIC GUARDIAN	872,400	765,255	107,145	1,070,683	342,000	728,683	198,283	(423,255)	621,538
CHILD SUPPORT SERVICES	39,661,243	39,661,243	-	39,797,347	39,797,347	-	136,104	136,104	-
HUMAN SERVICES - ADMINISTRATIVE CLAIM	334,612,841	317,973,721	16,639,120	344,305,647	322,009,254	22,296,393	9,692,806	4,035,533	5,657,273
CHILD ABUSE /DOMESTIC VIOLENCE	1,507,439	1,507,439	-	1,906,812	1,906,812	-	399,373	399,373	-
ENTITLEMENT PAYMENTS (CHILD CARE)	85,905,228	85,905,228	-	85,905,228	85,905,228	-	-	-	-
CHILDREN'S OUT OF HOME CHILDCARE	367,618	-	367,618	574,056	-	574,056	206,438	-	206,438
AID TO ADOPTIVE CHILDREN	30,863,005	29,396,811	1,466,194	34,457,874	32,678,455	1,779,419	3,594,869	3,281,644	313,225
AFDC-FOSTER CARE	104,436,782	89,700,112	14,736,670	97,376,873	82,654,830	14,722,043	(7,059,909)	(7,045,282)	(14,627)
REFUGEE CASH ASSISTANCE	100,000	100,000	-	100,000	100,000	-	-	-	-
CASH ASSISTANCE - IMMIGRANTS	856,993	856,993	-	822,878	822,878	-	(34,115)	(34,115)	-
CALWORKS-ALL OTHER FAMILIES	218,489,279	213,837,725	4,651,554	197,073,867	192,702,019	4,371,848	(21,415,412)	(21,135,706)	(279,706)
KIN-GAP PROGRAM	4,818,510	4,036,410	782,100	4,575,538	3,868,452	707,086	(242,972)	(167,958)	(75,014)
AID FOR SERIOUSLY EMOTIONALLY DISTURBED	5,242,905	4,262,503	980,402	4,761,913	3,781,511	980,402	(480,992)	(480,992)	-
CALWORKS-2 PARENT FAMILIES	16,419,500	16,029,361	390,139	14,215,939	13,881,109	334,830	(2,203,561)	(2,148,252)	(55,309)
AID TO INDIGENTS	1,446,420	370,256	1,076,164	1,181,027	341,471	839,556	(265,393)	(28,785)	(236,608)
VETERAN'S AFFAIRS	1,264,563	331,117	933,446	1,375,189	327,500	1,047,689	110,626	(3,617)	114,243
HUMAN SERVICES SUBTOTAL:	855,704,365	813,573,813	42,130,552	840,103,811	791,721,806	48,382,005	(15,600,554)	(21,852,007)	6,251,453
GENERAL FUND DEPARTMENT SUBTOTAL:	2,006,341,035	1,607,358,611	398,982,424	2,130,152,195	1,642,165,232	487,986,963	123,811,160	34,806,621	89,004,539
CONTINGENCIES	96,967,709	-	96,967,709	59,124,138	-	59,124,138	(37,843,571)	-	(37,843,571)
RESERVE CONTRIBUTIONS	21,403,093	-	21,403,093	35,452,753	-	35,452,753	14,049,660	-	14,049,660
FINANCIAL ADMINISTRATION EXPENDITURES	7,500,000	7,500,000	-	7,500,000	7,500,000	-	-	-	-
FINANCIAL ADMINISTRATION REIMBURSEMENTS	(583,586)	(583,586)	-	(583,586)	(583,586)	-	-	-	-
OPERATING TRANSFERS OUT	37,129,938	-	37,129,938	81,458,956	-	81,458,956	44,329,018	-	44,329,018
TOTAL COUNTYWIDE ALLOCATED COSTS:	162,417,154	6,916,414	155,500,740	182,952,261	6,916,414	176,035,847	20,535,107	-	20,535,107
GRAND TOTAL:	2,168,758,189	1,614,275,025	554,483,164	2,313,104,456	1,649,081,646	664,022,810	144,346,267	34,806,621	109,539,646

NOTE: Total countywide allocated costs on this schedule includes appropriation and reimbursements for Financial Administration. This appropriation is offset in the countywide discretionary revenue schedule.

CONTINGENCIES

The County Contingencies includes the following elements:

One Time Contingencies

Mandatory Contingencies

Board Policy requires the county to maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts or other economic events affecting the county's operations, which could not have reasonably been anticipated at the time the budget was prepared. Funding is targeted at 1.5% of locally funded appropriation.

Uncertainties

Any unallocated financing available from current year sources (both ongoing and one-time) that has not been set-aside and any unallocated fund balance carried over from the prior year, is budgeted in the contingencies for uncertainties. Final budget action includes a provision that allocates any difference between estimated and final fund balance to this contingencies account.

Ongoing Set-Asides Contingencies

The county budget process differentiates between ongoing and one-time revenue sources. Ongoing set-asides represent ongoing sources of financing that have been targeted for future ongoing program needs.

Contingencies - Priority District and Program Needs

An annual base allocation of \$2,500,000 is set aside for priority district and program needs. Any amounts unspent in this contingencies account at the end of a fiscal year rolls forward into the next fiscal year.

	Contingencies			
	2005-06	2005-06	2006-07	2006-07
	Beginning Balance	Approved Contributions/ (Uses)	Approved Contributions/ (Uses)	Final Budget
One-time Contingencies				
Mandatory Contingencies (1.5% of Locally Funded Appropriations)	6,084,960	175,570	1,607,874	7,868,404
Uncertainties	69,902,464	(47,728,389)	(5,974,152)	16,199,923
Ongoing Set Asides Contingencies				
Future Retirement Costs	7,900,000	(7,900,000)	7,900,000	7,900,000
Jail Expansion (Formerly Future Financing)	7,000,000		(4,600,000)	2,400,000
Workload Adjustments	2,700,000	(1,600,000)	(1,100,000)	-
Future Space Needs	-	-	20,000,000	20,000,000
Contingencies - Priority District and Program Needs	3,380,285	(1,124,474)	2,500,000	4,755,811
Total Contingencies	96,967,709	(58,177,293)	20,333,722	59,124,138



2005-06 Changes to Contingencies for Uncertainties

For 2005-06 mid-year Board actions authorized the use of approximately \$69.9 million of the Contingencies for Uncertainties. Major allocations include:

- \$11.8 million in ongoing funding for salary and benefit increases pursuant to negotiated labor agreements with employees approved after final budget adoption.
- \$5.3 million to fund Safe Route to Schools Projects
- \$5.0 million to finance various park improvements
- \$4.4 million to finance modernization and office space utilization projects
- \$4.2 million transferred to the Juvenile Maximum Security Facility Reserve
- \$3.7 million to finance building improvements
- \$3.5 million to finance a new fire station in Hesperia/Oak Hills
- \$3.0 million to finance library improvements
- \$2.6 million to reflect changes required as a result of the adoption of the final State budget
- \$2.4 million to finance Glen Helen Park Improvements
- \$2.1 million to finance street improvements
- \$2.1 million to finance community projects in Upland, Muscoy, Crestline and Rim of the World
- \$2.0 million transferred to the Museum's Hall of Paleontology Reserve
- \$2.0 million to fund a total of 26 new positions in the Sheriff's department
- \$1.6 million to fund Glen Helen Water System Improvements
- \$1.6 million to fund Senior Citizen Programs
- \$1.4 million to fund the Sheriff/Coroner Morgue Expansion Project
- \$1.3 million to increase the General Purpose Reserve and Mandatory Contingencies as a result of increases in revenue projections

For 2005-06 mid-year Board actions authorized increases of \$22.2 million in the Contingencies for Uncertainties:

- \$11.7 million to reflect upward revisions to revenue estimates
- \$7.9 million transferred from the contingencies set-aside for future retirement costs
- \$1.5 million to reflect the use of a portion of the Teeter Reserve to offset tax sale losses the County incurred in 2004-05.
- \$1.1 million to reflect the elimination of the Bark Beetle Reserve. The Bark Beetle Reserve was established on December 17, 2002 to help address the bark beetle infestation in the local mountains. Since the reserve was established, the County was successful in securing Federal funds to aid in the fight against the bark beetle infestation.



2006-07 Mandatory Contingencies

The base allocation to the mandatory contingency budget of \$7,868,404 is established pursuant to Board policy, based on projected locally funded appropriation of \$524.6 million.

2006-07 Ongoing Set-Asides Contingencies

As seen in the Reserve section, the county has set aside a significant amount of one-time money that can assist the county temporarily for unforeseen increases in expenditure or reductions in revenues. However, there has never been any money set aside to permanently address future foreseen increases in expenditures. Beginning in 2004-05, the county positioned itself to set aside ongoing revenue sources to finance future ongoing expenditures in three different areas: retirement, future financing needs, and workload adjustments. In 2006-07, the county added future space needs to the listing of on-going set-asides.

- **Future Retirement Costs Ongoing Set Aside:**
For the past three years, the County has seen significant retirement cost increases and predicts additional future increases based on unfunded liabilities that have occurred primarily as a result of lower than expected market returns. The Board has set aside \$7.9 million in ongoing revenue sources to assist in financing these cost increases at a future date.
- **Jail Expansion (Formerly Future Financing Needs) Ongoing Set Aside:**
In 2005-06, the Board set aside \$7.0 million of ongoing money to address the future needs of the County's growing population. For 2006-07, the Board allocated this set-aside to a specific use, increased jail space. In final budget action, the Board approved the use of \$4.6 million of this on-going set-aside to fund the design costs for the Adelanto Detention Center Expansion Project.
- **Workload Adjustments Ongoing Set Aside:**
Beginning in 2004-05, the Board set-aside \$2.7 million to address departmental workload issues caused primarily by budget reductions required to offset State budget reductions in prior years. On December 13, 2005 the Board approved the elimination of this ongoing set-aside to be used to fund operations at the County Fire Department.
- **Future Space Needs Ongoing Set Aside:**
Beginning in 2006-07, the Board set-aside \$20.0 million to address future space needs. This is based on a building analysis completed by staff. The space needs of the county continue to grow based on expansion of the area and the programs that service the county's growing population.



RESERVES

The county has a number of reserves (designations) that have been established over the years. Some are for specific purposes, such as to meet future known obligations or to build a reserve for capital projects. The general purpose reserve are funds held to protect the County from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County. On January 6, 1998, the Board of Supervisors adopted a county policy to provide guidelines and goals for reserve levels. That policy calls for the county's general purpose reserve to equal 10% of locally funded appropriation. The Board of Supervisors also established special purpose reserves to temporarily help meet future needs.

Total Reserves						
	2004-05	Approved 2005-06		2005-06	Approved 2006-07	
	Ending Balance	Contributions	Uses	Ending Balance	Contributions	Uses
General Purpose Reserve	37,214,100	4,522,765		41,736,865	10,719,160	
Specific Purpose Reserves						
Medical Center Debt Service	32,074,905			32,074,905		
Retirement	7,000,000	7,900,000		14,900,000	7,900,000	
Teeter	19,260,087		(1,512,886)	17,747,201		
Jail Expansion (Formerly Future Financing)		7,000,000		7,000,000	7,000,000	
Juvenile Maximum Security	1,492,986	4,200,000		5,692,986	3,700,000	
Capital Projects	4,000,000			4,000,000		
Museum's Hall of Paleontology	1,703,030	2,000,000		3,703,030		
Business Process Improvement	3,000,000		(489,394)	2,510,606	1,105,550	(2,832,683)
Insurance	3,000,000			3,000,000		
Restitution	1,614,234	450,791	(200,000)	1,865,025		
Justice Facilities	1,304,753		(667,600)	637,153		
Electronic Voting	500,000			500,000	2,278,043	
Moonridge Zoo				-	2,750,000	
L&J SWBPI	1,883,491	287,097	(446,601)	1,723,987		(1,723,987)
Equity Pool	3,513,804		(2,006,766)	1,507,038		(1,507,038)
Bark Beetle	1,665,300		(1,665,300)	-		
Workload Adjustments		2,700,000	(2,700,000)	-		
Total Specific Purpose	82,012,590	24,537,888	(9,688,547)	96,861,931	24,733,593	(6,063,708)
Total Reserves	119,226,690			138,598,796		
						167,987,841



2005-06 Approved Contributions

- \$4.5 million to the General Purpose Reserve based on the 2005-06 modified budget for countywide discretionary revenue which finances locally funded appropriation.
- \$7.9 million to the Retirement Reserve, \$7.0 million to the Future Financing Reserve, and \$2.7 million to the Workload Adjustment Reserve were funded by ongoing set-asides that remained unspent at the end of 2004-05.
- \$4.2 million to the Juvenile Maximum Security Reserve from Probation Department savings in 2004-05.
- \$2.0 million to the Museum Hall of Paleontology Reserve to assist in construction costs.
- \$450,791 to the Restitution Reserve to set-aside settlement revenues received by the County in 2004-05 from the ongoing corruption litigation.
- \$287,097 to the Southwest Border Patrol Initiative Reserve to set-aside Federal funding received in 2004-05.

2005-06 Approved Uses

- \$1.5 million from the Teeter Reserve to offset tax sale losses the County incurred in 2004-05.
- \$0.5 million from the Business Process Improvement Reserve to fund the Human Resources' Application Tracking System and Personnel File Imaging Systems, Regional Park's Central Reservation System, and Facilities Management's Automated Work Order Implementation Project.
- \$200,000 from the Restitution Reserve to finance the cost of the county's on-going corruption litigation.
- \$667,600 from the Justice Facilities Reserve to fund phase two of the Central Detention Center HVAC replacement in the amount of \$430,000, \$17,600 for an updated title report for the Marantha Jail Facility in Adelanto, and \$220,000 for renovation and expansion of the minimum security dorms at the Glen Helen Rehabilitation Center.
- \$446,601 from the Law and Justice Southwest Border Patrol Initiative Reserve (SWBPI) as detailed below: 1) \$250,000 to fund the Handheld Citation Capture Device grant program; 2) \$68,136 for remaining one-time costs to implement a comprehensive, Countywide Gang Initiative; 3) \$69,000 to perform a Laboratory Information Management System Assessment for the Sheriff; 4) \$65,812 to fund the balance of the Electronic Information Sharing Project for the District Attorney; 5) \$47,545 to purchase video editing systems for the Sheriff; 6) \$53,123 for eight unarmored polycom teleconferencing units for the Public Defender and Probation and 7) \$201,297 for the purchase of a digital lab and film processing system for the Sheriff-Coroner. Of these allocations \$242,500 was returned to the reserve unspent by the Law and Justice Group Administration budget from the Handheld Citation Capture Device program, and a total of \$65,812 was returned unspent by the District Attorney budget from the County-Wide Gang Initiative and the Electronic Information Sharing Project.
- \$2.0 million from the Equity Pool Reserve to fund the 2005-06 costs of approved equity adjustments.
- The Bark Beetle Reserve was established on December 17, 2002 to help address the bark beetle infestation in the local mountains. Since the reserve was established, the County was successful in securing Federal funds to aid in the fight against the bark beetle infestation. On November 1, 2005, the Board dissolved this reserve. Prior to it being dissolved, the Bark Beetle Reserve funded site and parking lot improvements and the purchase and installation of temporary modular office units totaling \$560,000 for the Running Springs Bark Beetle Hazard Abatement Offices. This amount will be reimbursed to the general fund from future lease/rent revenues from these offices.



- \$2,700,000 from the Workload Adjustment Reserve to County Fire to fund one-time capital apparatus, equipment, and fire-station facility needs.

2006-07 Approved Contributions and Uses

For 2006-07 the general-purpose reserve is increased by \$10.7 million to conform to Board policy. This increase is based on projected locally funded appropriation of \$524.6 million and brings the balance of the general-purpose reserve to \$52.5 million. The reserve for Retirement is increased by \$7.9 million. The Jail Expansion Reserve, formerly the Future Financing Reserve, is increased by the ongoing set aside of \$7.0 million that remained unspent at the end of 2005-06. The Juvenile Maximum Security Reserve is increased by \$3.7 million, funded by savings from Probation's 2005-06 department budget. The Business Process Improvement Reserve is increased by \$1.1 million to return it to its original amount after funding 2005-06 uses. Additionally \$2.8 million of this reserve is to be used in 2006-07. The Electronic Voting and Moonridge Zoo Reserves are increased by \$2.3 million and \$2.8 million, respectively. The elimination of the Law and Justice Southwest Border Patrol Initiative reserve results in a transfer of the remaining balance of \$1.7 million to a special revenue fund. Use of the remaining \$1,507,038 of the Equity Pool reserve will assist in funding the 2006-07 costs of approved equity adjustments.

The chart below shows recent history of the County Reserve levels.

	Year End Actual Balance					Adopted
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total General Purpose Reserve	30.2	31.9	34.8	37.2	41.7	52.5
Specific Purpose Reserves						
Medical Center Debt Service	32.0	32.1	32.1	32.1	32.1	32.1
Retirement	1.5	7.0	7.0	7.0	14.9	22.8
Teeter	19.3	19.3	19.3	19.3	17.7	17.7
Jail Expansion (formerly Future Financing)					7.0	14.0
Juvenile Maximum Security	1.5	1.5	1.5	1.5	5.7	9.4
Capital Projects Reserve		4.0	4.0	4.0	4.0	4.0
Museum's Hall of Paleontology			0.9	1.7	3.7	3.7
Business Process Improvement				3.0	2.5	0.8
Insurance		5.0	3.0	3.0	3.0	3.0
Restitution	8.9	2.1	2.1	1.6	1.9	1.9
Justice Facilities	5.0	4.9	3.7	1.3	0.6	0.6
Electronic Voting System		5.7	-	0.5	0.5	2.8
Moonridge Zoo						2.8
L&J Southwest Border Prosecution Initiative			3.4	1.9	1.7	-
Equity Pool		1.9	4.4	3.5	1.5	-
Bark Beetle		-	1.8	1.7	-	-
Workload Adjustment					-	-
Total Specific Purpose Reserves	(1) 68.2	83.4	83.1	82.0	96.9	115.5
Total Reserves	(1) 98.4	115.3	118.0	119.2	138.6	168.0

(1) Totals may not add due to rounding



COUNTY DEBT POLICY

The county has a separate policy that covers the issuance, management and administration of the county's portfolio of long term obligations. The policy requires, in general, that:

1. Debt will not be used to finance on-going operational costs.
2. Whenever possible, the county will pursue alternative sources of funding in order to minimize the level of debt.
3. That whenever practical, voter approval on the method of debt shall be utilized.

More specifically, the policy includes guidelines on Types of Debt, and Analysis Management and Limitations. The Analysis, Management and Limitations section of the policy includes the following elements:

1. The policy allows for the issuance of variable rate obligations to the extent that they do not exceed 25% of total debt outstanding.
2. The policy details the guidelines to be followed prior to the issuance of variable rate debt including feasibility, structure, and annual analysis to determine advisability of conversion to fixed rate debt.
3. The policy requires that the term of bonds be no longer than the economic useful life of the property, or in excess of available payment streams.
4. The policy requires annual review of the county's portfolio of long term obligations to initiate any type of restructuring, refunding, or refinancing beneficial to the county.
5. The policy outlines requirements for the investment of bond proceeds.
6. The policy outlines the responsibilities of the county's Debt Advisory Committee, which is a formal committee of the Board of Supervisors. These responsibilities include oversight and review of all debt policy and debt issuance activities and to make recommendations to the Board of Supervisors regarding appropriate actions on debt matters.

CASH FUNDED PROJECTS

As detailed above, county policy requires prudent management of liabilities and, whenever possible, alternative sources of funding in order to minimize the level of debt. In the past several years, the county has satisfied certain portions of its capital needs without the issuance of long term obligations. This includes the major projects listed below:

- Construction of the High Desert Juvenile Detention Center, financed with a combination of state grant monies and the county's cash.
- The cash purchase of the Adelanto Adult Detention Facility.
- The cash purchase of an office building in downtown San Bernardino.



THE COUNTY'S BUDGET FINANCE POLICY AS IT RELATES TO LONG-TERM OBLIGATIONS

The county's Budget Financing Policy includes policies related to long-term obligations of the county. These include:

1. Retirement System Funding – Requires that the Board first consider setting aside any savings related to negative Unfunded Accrued Actuarial Liability to fund a reserve for reduction of any existing pension obligation bonds or as a hedge against future interest rate increases.
2. Use of Variable Rate Interest Savings – Requires that when amounts budgeted for variable rate interest expense on long-term obligations exceeds actual variable rate interest expense for the year, that such savings will be used in the succeeding fiscal year to reduce the outstanding principal of long-term obligations. It is normal for budgeted amounts to exceed actual amounts because debt covenants require conservative budgeting of variable rate interest expense. This applies only to debt service paid from discretionary revenue sources of the general fund.
3. Use of Savings from Interest Rate Swap Agreements Associated with the Issuance of Debt - Requires that any county benefit realized on interest rate swap agreements, when there is a potential mismatch between swap payments and debt service payments, be retained as a contingency to offset the county's share of increases in debt service caused by the swap agreement. This contingency amount will not exceed \$5.0 million per interest rate swap agreement.

COUNTY LONG TERM OBLIGATIONS

The following discussion relates to long term obligations backed by the full faith and credit of the county's general fund. Other long-term obligations, such as those of the county's redevelopment agency and special districts are included in separate budget documents prepared for those entities.

The county's outstanding long-term debt obligations have been issued for the following purposes:

- To finance construction and improvement of county structures.
- To refinance county pension obligations.
- To finance improvements at the county owned landfills.

The county finances such projects with a variety of debt instruments. For construction and improvement projects, and for the improvement projects at the county landfills, the county has utilized lease obligations with a non-profit public benefit corporation. Such obligations are in the form of Certificates of Participation. For pension obligations the county has issued Pension Obligation Bonds.



As of June 30, 2006, the county's long term obligations include obligations issued to finance or partially finance the following projects:

- Construction and equipping of the Arrowhead Regional Medical Center
- Construction of the West Valley Detention Center
- Construction of the Foothill Law and Justice Center and hangars at the Chino Airport
- Construction of the County Government Center
- Construction of the West Valley Juvenile Detention Center
- Retrofit of lighting and HVAC systems at various county facilities
- Finance of down payment on a preschool building in Ontario
- Construction of the Glen Helen Amphitheater
- Improvement projects at county landfills
- Refinancing of a portion of the county's Unfunded Accrued Actuarial Liability in the years 1995 and 2004.

A summary of long-term obligations of the county, which includes a reference to the section of the book where the obligation is budgeted, is included on the following pages.



County of San Bernardino
Outstanding General Fund Certificates of Participation and Pension Obligation Bonds
Budgetary Basis

Fiscal Year Ending June 30	General Fund Certificates of Participation								
	2004 Pension Obligation (1)	1995 Pension Obligation	2003B GH (2) Auction Rate Securites (1)	2003A GH (2) Auction Rate Securites (1)	2002 Justice Center Refunding	2001/02 WVDC (3) Refunding	1997 Public Impr. Financing	1996 Gov't. Ctr. Refinancing (1)	1996 WVDC (3) Refinancing(1)
	463,895,000	386,265,591	9,875,000	9,825,000	68,100,000	94,920,000	17,790,000	39,600,000	9,200,000
2007	26,374,311	33,253,205	304,153	616,295	6,602,988	9,077,558	1,422,014	3,077,760	571,500
2008	28,006,821	35,014,199	375,406	629,912	6,469,938	9,074,983	1,420,895	2,986,095	560,640
2009	29,539,922	36,857,509	344,739	643,147	6,540,800	9,060,658	1,417,530	2,990,065	549,780
2010	31,183,052	38,798,739	339,987	631,228	6,494,800	9,051,020	1,421,415	3,173,000	538,920
2011	32,954,491	40,837,399	311,149	618,160	6,538,200	9,043,020	1,417,350	3,264,270	528,060
2012	34,775,177	42,976,352	331,671	634,090	6,467,200	9,030,270	933,100	3,355,540	517,200
2013	36,601,345	45,220,000	302,833	641,695	6,581,000	9,016,945	934,475	3,446,810	506,340
2014	38,728,798	47,580,000	275,182	628,239	6,472,000	9,020,884	929,725	3,633,715	495,480
2015	40,685,510	50,055,000	296,892	639,151	6,557,750	9,007,341	933,725	3,624,985	582,207
2016	42,822,434	52,655,000	269,242	624,181	6,515,250	8,994,761	930,650	2,700,000	567,727
2017	45,076,697	55,385,000	242,140	660,774	-	8,987,081	930,463	-	553,247
2018	55,092,897	58,250,000	754,163	642,268	-	8,973,031	928,700	-	538,767
2019	47,969,562	61,260,000	751,234	650,487	-	8,961,531	930,231	-	524,287
2020	54,338,110	64,420,000	772,208	633,595	-	-	842,288	-	509,807
2021	57,217,276	67,735,000	767,320	665,446	-	-	840,000	-	495,327
2022	60,210,305	67,910,000	761,209	647,760	-	-	841,006	-	578,433
2023	63,301,258	-	780,173	654,068	-	-	835,306	-	560,333
2024	48,626,718	-	765,079	658,481	-	-	837,769	-	542,233
2025	-	-	-	-	-	-	838,131	-	524,133
2026	-	-	-	-	-	-	836,394	-	506,033
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
Totals	773,504,685	798,207,403	8,744,780	11,518,976	65,239,925	117,299,083	20,421,166	32,252,240	10,750,453

(1) Debt schedules for variable rate issues are based on the average interest rate at the time of issuance and do not reflect amounts budgeted for 2006-07 fiscal year.

(2) GH is defined as the Glen Helen Amphitheater

(3) West Valley Detention Center

Budget Information:

The 1995 and 2004 Pension Obligation Bonds are budgeted as salary expense in individual departmental budgets

Certificates of Participation are budgeted in the Administrative/Executive Section of this budget book, under County Administrative Office, Joint Powers Leases (General Fund)



County of San Bernardino
Outstanding Enterprise Fund Certificates of Participation
Budgetary Basis

Fiscal Year Ending June 30	Certificates of Participation						Total Outstanding Debt (ALL ISSUES)
	Solid Waste 2003B Auction Rate Securites (1)	County Medical Center Series 1998	County Medical Center Series 1997	County Medical Center Series 1996	County Medical Center Series 1995	County Medical Center Series 1994	
	93,875,000	176,510,000	121,095,000	65,070,000	147,565,000	213,605,000	
2007	9,067,776	7,394,886	16,812,630	3,261,488	13,434,763	14,525,419	145,796,743
2008	9,101,936	7,394,886	16,809,860	3,261,488	15,071,244	12,889,200	149,067,502
2009	9,121,956	8,373,939	16,812,045	3,319,913	15,070,725	12,888,100	153,530,827
2010	9,152,067	8,429,949	-	3,574,806	15,074,475	12,885,300	140,748,759
2011	9,190,875	8,481,770	-	3,572,350	15,186,425	12,772,725	144,716,243
2012	9,238,259	16,263,916	-	3,573,975	7,432,588	12,775,738	148,305,075
2013	9,267,371	16,270,103	-	3,574,550	7,434,513	12,777,200	152,575,179
2014	9,327,031	16,259,532	-	3,574,075	7,441,488	12,766,838	157,132,985
2015	9,366,605	16,330,108	-	3,572,550	7,442,538	12,768,963	161,863,324
2016	9,411,331	16,281,832	-	3,574,844	7,446,688	12,767,613	165,561,551
2017	9,459,525	11,419,440	-	3,570,956	12,344,363	12,771,963	161,401,648
2018	-	11,445,028	-	3,571,500	12,351,425	12,761,463	165,309,241
2019	-	13,122,436	-	3,571,375	8,861,875	14,642,213	161,245,231
2020	-	13,149,571	-	3,574,875	8,867,350	14,635,225	161,743,028
2021	-	11,201,842	-	3,572,000	7,109,500	18,292,225	167,895,936
2022	-	11,475,061	-	3,572,750	7,294,750	17,910,250	171,201,525
2023	-	11,429,427	-	3,572,000	7,284,975	17,919,100	106,336,641
2024	-	18,714,119	-	3,574,625	-	17,966,150	91,685,174
2025	-	18,720,757	-	3,570,625	-	17,969,200	41,622,846
2026	-	21,243,604	-	3,574,875	-	15,403,225	41,564,132
2027	-	15,120,232	-	9,763,500	-	15,398,600	40,282,332
2028	-	-	-	25,894,750	-	14,680,694	40,575,444
2029	-	-	-	25,912,000	-	14,675,456	40,587,456
Totals	101,704,731	278,522,440	50,434,535	132,155,869	175,149,681	334,842,857	\$ 2,910,748,822

(1) Debt schedules for variable rate issues are based on the average interest rate at the time of issuance and do not reflect amounts budgeted for 2006-07 fiscal year.

Budget Information:

The 2003B Solid Waste Certificates of Participation are budgeted in the Public And Support Services Group section of this budget book, in the Solid Waste Management Division Operations Enterprise Fund

The 1994, 1995, 1996, 1997 and 1998 Medical Center Certificates of Participation are budgeted in the Administrative/Executive Section of this budget book under County Administrative Office, Medical Center Lease Payments (Medical Center Enterprise Fund)



EFFECTS OF EXISTING DEBT LEVELS ON CURRENT AND FUTURE OPERATIONS

Debt service on the Certificates of Participation and Pension Obligation Bonds referenced in the previous schedules will not negatively effect current or future operations of the county. In aggregate, current required debt service expenditures remain relatively level for all fiscal years through 2022-23 and then drop significantly in succeeding years.

The county is currently contemplating the issuance of additional Certificates of Participation to fund the expansion of the Adelanto Adult Detention Facility, and construction and improvements related to the implementation of a master space plan. The 2006-07 budget allocates on-going (annual) financing sources of \$7.0 million for future debt service for the expansion of jail facilities and \$20.0 million for future debt service related to the implementation of the county's master space plan.

OTHER LONG-TERM OBLIGATION

The Library has a note payable to the California Infrastructure and Economic Development Bank for funds borrowed to finance the construction of a library in Apple Valley. This note is backed by the full faith and credit of the general fund; however it is paid from and budgeted in the Library budget, found in the Public and Support Services Group section of this budget book, in the Library Special Revenue Fund budget. The outstanding principal amount of this note as of June 30, 2005, the last date for which audited information is available, was \$1,849,181. Annual debt service on this obligation is approximately \$105,000 per year through fiscal year 2030-31.

LEGAL DEBT LIMIT

The county's legal debt limit, which applies only to General Obligation Bonds, is 1.25% of Assessed Valuation. As of June 30, 2005, the last date for which audited information on outstanding debt is currently available, the county's Debt limit and legal debt margin were calculated as follows:

Fiscal Year	Total Assessed Valuation	Legal Debt Limit	Bonded Debt	Legal Debt Margin
2004-05	114,365,556,744	1,429,569,459	2,045,000	1,427,524,459
2005-06	130,673,406,204	1,633,417,578	(1)	N/A
2006-07	153,832,296,959	1,922,903,712	(1)	N/A

(1) - Audited numbers not available

The county general fund has no outstanding General Obligation Bonds, and therefore no debt service payments for General Obligation Bonds are budgeted in this document. The Bonded Debt referred to in the table above is the debt of Special Districts and therefore is budgeted in the separate budget document prepared for these entities.



SUMMARY OF RELATED LAWS, POLICIES, AND PROCEDURES

CALIFORNIA GOVERNMENT CODE

Government Code Sections 29000 through 30200 provide the statutory requirements pertaining to the form and content of the state Controller's prescribed Line-Item Budget. Government Code Section 29009 requires a balanced budget in the proposed and final budgets, defined as "the budgetary requirements shall equal the available financing".

COUNTY CODE

Title 1. Division 2. Chapter 2:

Section 12.023:

The Administrative Officer shall be appointed by and serve at the pleasure of the Board of Supervisors.

Section 12.026:

Under the supervision of the Board of Supervisors, and subject to the approval and direction and control thereof, the Administrative Officer shall supervise the preparation of the annual County Budget. In the performance of this duty the Administrative Officer shall review all departmental and agency requests and all items in the proposed budget, including revenues, expenditures and reserves. He shall submit his recommendation on the proposed budget to the Board of Supervisors.

BASIS OF ACCOUNTING

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued if their receipt occurs within sixty days after the end of the accounting period, and recognized as revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include: principal and interest on long-term debt is recognized when due; prepaid expenses are reported as current period expenditures, rather than allocated; and accumulated unpaid vacation, sick leave, and other employee benefits are reported in the period due and payable rather than in the period earned by employees.

Proprietary fund types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred.



BASIS OF BUDGETING

Governmental Funds:

An operating budget is adopted each fiscal year for the governmental fund types in accordance with provisions of the County Budget Act. The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared using generally accepted accounting principles (GAAP). Budgets for the governmental fund types are adopted with the following differences from GAAP:

Encumbrance accounting is employed in governmental funds. For budget purposes, outstanding encumbrances (which represent the unspent amounts of purchase orders and contracts funded in the fiscal year), are treated as expenditures in that fiscal year. This affects only the "actual" data that appears in this budget book. For GAAP purposes, in the fund financial statements of the CAFR, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures and liabilities. Appropriations for these encumbrance commitments survive the expiration of the fiscal year to the extent that encumbrances exist. Encumbrances cancelled subsequent to the end of the fiscal year also cancel the underlying appropriation.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

Proprietary Funds:

The Board of Supervisors approves an annual spending plan for proprietary funds. Although the adopted expense estimates are not appropriations, their budgetary controls are the same as those of the governmental fund types. Because these funds collect fees and revenues generally to cover the cost of the goods and services they provide, their accounting and budgeting bases are closer to commercial models. Budgeting, like accounting, is done on the accrual basis and generally according to GAAP.

COUNTY BUDGET AND FINANCE POLICIES

When building the 2006-07 budget, the County Administrative Office adhered to the County's four financing policies; 1) the budget financing policy, which holds that one-time funds shall not be used to finance ongoing operational costs; 2) the reserve policy, which maintains an ongoing general purpose reserve equal to 10% of locally funded appropriation, coupled with an appropriated contingency fund equal to 1.5% of locally funded appropriation; 3) the debt policy, which calls for the prudent management of liabilities, and wherever possible, the pursuit of alternative sources of funding in order to minimize the level of debt; and 4) the capital budget policy, which ensures that the County maintains its public infrastructure in the most cost efficient manner. Below is a detailed description of these County financing policies:

Budget Financing Policy

The objective of the Budget Financing Policy is to help ensure the County has adequate resources to meet its basic financial obligations, and to serve as a vehicle to help the County achieve financial continuity and stability.

Balanced Budget

The annual operating budget will be structurally balanced upon adoption by the Board of Supervisors. Total revenues, including carry-over fund balances, will equal the total fund appropriation and reserves, unless within the context of a larger plan to balance ongoing revenues and expenses over a multi-year period, as detailed under "Use of one-time funding sources". Significant budget variances and recommended actions will be reported to the Board of Supervisors.



Long Range Planning

As part of the annual budget process, the County will prepare a multi-year forecast of financial operations for general fund programs based on current service levels and expected future changes to those programs or service levels. The County will project major revenues and expenditures of the general fund, and report significant findings and recommendations to the Board of Supervisors.

Use of one-time funding sources

The appropriation of carryover fund balances and other one-time funding sources must be managed with care. Carryover fund balance is most appropriately used to fund one-time expenses such as capital expenditures or start-up costs for new programs. Other types of one-time funding sources may also be used to fund one-time costs, or to supplement reserves. It is the policy of the County that one-time funds will not be used to finance ongoing operational costs, except within the context of a larger plan to balance ongoing revenues and costs over a multi-year period. Such a plan could involve short-term use of one-time funds to preserve essential public services where longer-term financial forecasts demonstrate the near-term future potential for ongoing revenues to fund those services.

Revenue Forecasting

Because of the complexity of the County budget, realistic projections of revenue are crucial to accurate budgeting. Revenue forecasting will be undertaken annually through a review of local historical revenue trends and analysis of federal, state, and local economic projections. Especially in regard to those revenues which tend to be most volatile and sensitive to changes in the economy, forecasting will involve analysis of economic, demographic, business cycle and other factors which might impact those revenues. These unpredictable revenues, including interest income and fees, will be estimated and budgeted conservatively. Revenue forecasts will not be based on straight-line assumptions.

Fees

The County will review and adjust fees for service, as necessary, and adopt them as part of the annual budget process. In most cases, departmental fees should fully recover the costs of providing the service, including identified indirect or overhead costs.

Program Efficiency and Performance Measurement

Efficiency and economy in the delivery of County services is a top priority. The County will develop a program to integrate performance measures within the budget. County departments will be encouraged to make productivity improvements within their service delivery areas.

Reserve Policy

The objective of the Reserve Policy is to help protect the County from unforeseen increases in expenditures or reductions in revenues, or from extraordinary events which might otherwise substantially harm the fiscal health of the County. In so doing, it is also intended to help avoid undue service level fluctuations during periods of economic instability.

General Purpose Reserves

The maintenance of an adequate operating reserve is essential to the financial strength and flexibility of the County, and operating reserves are considered an integral part of the County's financial structure. Such reserves and designations are considered to be those that have no identified contingent liability or specific future use. The County shall establish a general purpose reserve for the general fund targeted at 10% of locally funded appropriations.

Appropriations for Contingencies

The County will maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting the County's operations which could not have been reasonably anticipated at the time the budget was prepared. The County shall place in contingencies no less than 1.5% of locally funded appropriations.



Debt Policy

The objective of the County's Debt management policy is to minimize the amount of outstanding debt necessary to fulfill its infrastructure and economic development responsibilities, as well as to maintain the County's ability to incur present and future debt at minimal interest rates. The use of debt shall not endanger the County's ability to finance essential County services. The County recognizes that capital markets change and unforeseen circumstances may occur resulting in situations that are not covered by this policy. In such situations, flexibility to modify certain policy requirements may be necessary to achieve policy goals.

General

Debt will not be used to finance on-going operational costs. However, debt may be used, where economically efficient, to reduce or eliminate current long-term operational liabilities. Whenever possible, the County shall pursue alternative sources of funding, when cost effective, in order to minimize the level of debt.

Types of Debt

General Obligation Bonds (property tax supported) usage will be evaluated first since it is the least costly debt. Public support will be assessed for ballot placement due to the costs involved for an election. Revenue Bonds/Certificates of Participation may be considered for use where General Obligation Bonds are not practical. Short-term borrowing, such as commercial paper, bond anticipation notes, and lines of credit, will be considered as interim funding sources in anticipation of long-term financing.

Issuance

The County may elect to issue bonds/certificates of participation as variable rate instruments to provide flexibility and /or to attempt to achieve interest savings. There are guidelines to be considered when issuing variable rate debt: 1) Economic and cash flow projections for variable rate issues shall be calculated at the then applicable fixed rate. 2) The County will first consider structuring the principal and interest repayments related to the entire project for which the debt will be issued on an approximately equal annual basis over the life of the borrowing. 3) Total variable rate debt shall be limited to no more than 25% of total debt outstanding. 4) No less than annually, analysis of each outstanding variable rate bond issue shall be undertaken to determine the advisability of converting the issue to fixed-rate debt. 5) Variable rate bonds shall be structured to protect the County to the greatest extent possible against cyclical interest rate fluctuations.

Management

County financial management policies shall be designed to maintain a balanced relationship between debt service requirements and current operating costs, encourage growth of the tax base, actively seek alternative funding sources, minimize interest costs and maximize investment returns. In accordance with this principle, the following must be considered: 1) The County shall issue bonds with terms no longer than the economic useful life of the project. 2) The County shall obtain secured guarantees for bonds supported by a dedicated revenue source to the extent possible. 3) The County shall also obtain assurances of project viability and guarantees of completion prior to the issuance of bonds. 4) The County shall invest the proceeds of bond / certificates of participation sales to conform to State and County requirements to maximize investment security and earnings. 5) The County shall establish affordability guidelines in order to preserve credit quality, which may be suspended for emergency purposes, or because of unusual circumstances.



Capital Budget Policy

The objective of the Capital Budget policy is to ensure that the County maintains its public infrastructure in the most cost efficient manner. The County's capital budget will include as complete, reliable, and attainable cost estimates as possible.

Project cost estimates for the Capital Budget should be based upon a thorough analysis of the project and are expected to be as reliable as the level of detail known about the project. All Capital Budget proposals shall be formulated and presented to the Board of Supervisors within the framework of a general capital budget in conjunction with the operating County General Fund Budget. Capital projects which are not encumbered or completed during the fiscal year will be re-budgeted or carried over to the next fiscal year, except as reported to and subsequently approved by the Board.

Periodic financial reports will be prepared to enable the County Administrative Office to monitor/manage the capital budget and compare actual program revenues and expenditures with budgeted amounts. The Board may take necessary action, including increasing appropriation or revenue, to maintain a balanced Capital Budget. Major capital assets will be inventoried and assessed on an annual basis to project long-term equipment replacement and maintenance needs

